



**(formerly J-Pacific Gold Inc.)**

## **Management Discussion and Analysis**

**For the nine months ended September 30, 2011**

## Notice to Reader

The following discussion, prepared as of November 24, 2011, is management's discussion and analysis ("MD&A") of the results and financial condition of Sona Resources Corp. (the "Company" or "Sona"), formerly J-Pacific Gold Inc. for the quarter ended September 30, 2011 and should be read in conjunction with the unaudited condensed consolidated interim financial statements of Sona and the related notes thereto for the nine months ended September 30, 2011, the three months ended March 31, 2011 and with the Company's audited consolidated financial statements for the year ended December 31, 2010, and the related notes thereto. The audited consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles. This MD&A for the nine months ended September 30, 2011 reflects the Company's adoption of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All dollar amounts, unless otherwise indicated, are in Canadian dollars.

During the year ended December 31, 2010, the Company consolidated its share capital on a basis of five old shares for one new share. This MD&A, the unaudited condensed consolidated interim financial statements for the nine months ended September 30, 2011 and the audited consolidated financial statements for the year ended December 31, 2010, reflect the share consolidation.

The Company is a reporting issuer in the Provinces of British Columbia, Alberta, and Ontario in Canada and is listed on the TSX.V in Canada under the symbol SYS.

## Mineral Properties

### **Blackdome Gold Mine – Clinton Mining Division, British Columbia**

#### **Project milestones**

- 2010 – Estimate of Blackdome resource completed by SRK Consulting (Canada) Inc.
- 2010 – Metallurgical study of gold recovery from Blackdome tailings completed by Innovat Ltd.
- 2010 – Estimate of Blackdome tailings resource completed by Micon International Ltd.
- 2010 – Multi-year permit granted for 12,500-metre surface diamond drill program.
- 2010 – Preliminary assessment study of the Blackdome Gold Mine and the Elizabeth Gold Property completed by Micon International Ltd.
- 2011 – Completed 16 hole, 3176 metre exploration surface diamond drill hole program.

The Blackdome Gold Mine ("Blackdome") is a permitted mine and milling facility located in southwestern British Columbia, approximately 230 kilometres north of Vancouver and 100 kilometres south of Williams Lake. The 20,664.8-hectare property, which consists of two mining leases (988.33 hectares), 51 mineral claims (19,507.3 hectares) and 10 Crown grants (169.19 hectares) – is situated west of the Fraser River, near the summit of Blackdome Mountain, in the Camelsfoot Mountain Range between 1,760 and 2,050 metres in elevation. The former producing gold mine is located at 51° 19.2' North Latitude, 122° 30' West Longitude on NTS Maps 92O/7 and 8. UTM Coordinates are Grid Zone 10U 56857000N; 535400E (NAD 83).

The Blackdome property is held 100% by No. 75 Corporate Ventures (FMC 133817), which is 100% owned by Sona (FMC 104975). All claims and leases are recorded in the Clinton Mining Division. An additional 18 mineral claims in the southern portion of the property, covering an area of 7,365.61 ha, are also owned 100% by Sona.

Blackdome is a low-sulphidation epithermal Au-Ag-bearing system characterized by low temperature deposition of quartz veining, clay alteration, bleaching and silicification. The mineralization occurs as relatively high grade small shoots located along fault zones, often in proximity to branches or in zones of steepening of the host structures. Mineralization consists of fine- to medium-grained disseminated and fracture-filling electrum and Ag sulphide (acanthite, acanthite-aguilarite), with minor Ag sulphosalts in a gangue of quartz, adularia, pyrite and carbonate.

The property is underlain by a Tertiary flows and volcanoclastic rocks derived from volcanic arc-type calc-alkaline volcanism. Transecting the property in a northeast-southwest strike direction are a series of faults that range from

vertical to moderately westerly dipping. These faults are the principal host structures for Au-Ag mineralization. The No. 1 and No. 2 Veins were the principal producers for the mine, although there are many others that contain significant Au-Ag mineralization.

During the seven years starting in 1978, Blackdome Mining Corporation and Heath Steele Mines Ltd carried out extensive exploration and underground development work and by 1984, ore reserves of all categories were 222,500 tonnes grading 22.6 g/t gold (0.61 oz/t) and 106 g/t silver (3.6 oz/t). The 200-ton per day Blackdome mine commenced production in 1986 and when mining ceased in 1991 the mill was placed on care and maintenance. During the 5 year period a total of 338,000 tonnes of ore had been milled at an average grade of 21.9 g/ton (0.64 oz/ton) gold yielding 7,000,000 grams (225,000 oz) of gold and 17,000,000 grams (547,000 oz) of silver. For the first six months of 1988, the mill averaged 227 tons per day (206 t/d), with a 0.740 oz/ton gold grade (25.55 g/t), and 93.34% gold recovery. Approximately 90% of Blackdome's production came from the No.1 and 2 vein systems. Mining occurred over slightly more than a one kilometre strike length.

Blackdome ore has a relatively simple metallurgy with over 60% free gold. Milling consisted of a gravity circuit for the free gold and a flotation circuit to recover precious metal bearing sulphides. Gravity concentrates were refined into doré bars on site and the flotation concentrate was shipped to Japan for smelting.

The Company acquired the Blackdome mine in 1995 and reactivated the mine in November 1998. At the closure in May 1999, the plant was again placed on care and maintenance with a resident caretaker. Over the 6 month period a total of 203,631 grams (6,547 oz) gold and 538,000 grams (17,300 oz) silver were produced from 21,286 tonnes of ore. In 2001, the inferred mineral resources were estimated at 124,120 tonnes averaging 12.8 g/t (0.37 oz/t) gold and 33.7 g/t (0.98 oz/t) silver (SRK Consulting, 2001).

The Blackdome mill and tailings pond permits have been maintained. In 2006 an independent consulting engineering firm reported that all the equipment was in good shape and that whoever shut down the mill had done a very good job. The tailings pond is inspected yearly by an independent engineering firm.

In the 2006 and 2007 period, the Company conducted a surface diamond drilling program totalling 24 holes for 4,632 metres to focus on the projected northern strike extension of the previously producing No 1 and No 2 veins to where the basalt cap covering the peak of Blackdome masks their surface expression.

A resource evaluation study was completed by SRK (Canada) Inc ("SRK") in 2010. The Gemcom GEMS database contains drilling information for 909 surface boreholes (99,485 metres), including 13 surface boreholes (2,896 metres) drilled in 2007 and 10 surface boreholes (2,015 metres) drilled in 2006, 98 underground boreholes (8,605 metres) drilled by previous project operators between 1986 and 1999, and 127 trenches (850 metres). SRK constructed a series of three-dimensional wireframes for the gold-silver mineralization, considering lithology as well as grade trends. Ten distinct auriferous vein structures were modeled (Vein 1, Vein 2, Vein 11, Vein 17, Vein 18, Vein 19, Giant, Watson, Redbird and Southwest Veins). The wireframes were generated from digitized polylines spaced every 25 to 50 metres.

Using longitudinal sections provided by Sona, SRK attempted to re-create the mined out areas. The mined out area wireframes were applied to reconcile historical production as well as to deplete mined out areas from the mineral resource statement presented herein. SRK digitized the longitudinal section projections of the stopes in Gemcom on vertical sections generated along the modelled veins. The digitized polylines were extruded by 100 metres in both directions to produce three-dimensional solids larger than the vein wireframes. Assuming that production removed the entire vein material, the stope solids were then clipped to the auriferous vein wireframes.

Wireframes were used to constrain interpolation of block metal grades. Both gold and silver were estimated using ordinary kriging as the principal estimator. Metal grades were estimated separately in each domain from capped composite data from within that domain. Kriging parameters were derived from the variogram models. Grade estimation was completed in two successive passes. Due to strong zonal anisotropy in some of the domains and large modeled variogram ranges, the search distance around high gold values was further restricted to prevent overestimation within the block model.

Mineral resources were classified according to the CIM Definition Standards for Mineral Resources and Mineral Reserves (December 2005) by Dorota El-Rassi, P.Eng. (APEO #100012348), an independent Qualified Person for the purpose of National Instrument 43-101.

*A summary table of the estimated resources contained within the mineralized veins is provided below:*

Domain	Indicated					Inferred				
	Quantity	Gold Grade	Silver Grade	Gold Metal	Silver Metal	Quantity	Gold Grade	Silver Grade	Gold Metal	Silver Metal
	(tonne)	(g/t)	(g/t)	(ounce)	(ounce)	(tonne)	(g/t)	(g/t)	(ounce)	(ounce)
<b>Vein 1</b>	114,800	10.93	51.13	40,400	188,700	16,700	7.36	27.98	4,000	15,100
<b>Vein 2</b>	15,000	18.82	51.28	9,100	24,700	3,700	15.98	37.82	1,900	4,500
<b>Watson</b>	1,500	5.58	8.26	300	400	3,600	5.46	6.55	700	800
<b>Vein 11</b>	3,300	5.59	27.57	600	2,900	200	5.02	3.97	100	100
<b>Vein 18</b>	3,900	6.30	106.24	800	13,300	–	–	–	–	–
<b>Redbird</b>	6,000	7.08	11.65	1,400	2,300	3,300	7.06	8.35	800	900
<b>Giant</b>	–	–	–	–	–	63,100	9.04	16.27	18,400	33,000
<b>Total</b>	<b>144,500</b>	<b>11.29</b>	<b>50.01</b>	<b>52,600</b>	<b>232,300</b>	<b>90,600</b>	<b>8.79</b>	<b>18.61</b>	<b>25,900</b>	<b>54,400</b>

*\* Mineral resources are not mineral reserves and do not have demonstrated economic viability. All figures are rounded to reflect the relative accuracy of the estimate. Reported at a cut-off grade of 5.0 grams of gold per tonne assuming underground mining scenario, a gold price of US\$1,000 per ounce of gold and 100 percent metallurgical recovery. Modeled mined out areas removed.*

In early 2002, a drilling program of the mine tailings pond was undertaken with the objective of determining the gold content of the mine tailings. A total of 51 closely spaced, vertical holes were drilled with most ending in overburden that represented the pre-tailings surface. The analytical results revealed the tailings contain significant amounts of gold with samples ranging from 0.07 g/t to 37.61 g/t Au. The arithmetic average of the samples collected from this program was 1.89 g/t Au. Three distinct areas of the tailings pond were found to contain significant concentrations of gold.

In 2010, metallurgical testing was conducted on a relatively low-grade tailings sample (1.12 g/t Au). Two parameters were measured namely the gold recovery and tests to determine cyanide destruction. The cyanidation leach of the tailings sample revealed that a 92.3% recovery of gold was achieved. Tests also found that  $\geq 99\%$  neutralization of the cyanide could be achieved.

Micon International Limited conducted a block model mineral resource estimate of the tailings based on the 2002 drill hole data. Using a 0.5 g/t Au cut-off grade the Inferred Mineral Resource estimate of the Blackdome Mine Tailings is 298,389 tonnes at 1.47 g/t Au, which would be equivalent to 439,970 g (14,145 oz) of gold at zero dilution.

In 2011, a 16 drill hole, 3,176 metre exploration surface diamond drill program was completed in an effort to find and increase the mineral resources on the veins peripheral to the veins which hosted the bulk of the mineralization historically mined. Holes BD11-04 to BD11-13 were drilled as an east-west-trending fence to test for a southern extension of the historically mined No. 1 and No. 2 Veins. The fence tested a distance of approximately 1,000 metres, to a maximum depth of around 200 metres below surface. The fence of drill holes was located about 300 metres south of any previous drilling on these zones and about 650 metres south of the most southern underground mine workings. Hole BD11-08 returned an assay of 13.6g Au/t over 1.50 metres core length, and it has opened up a whole new area of potential high-grade gold mineralization for future drill testing.

#### **Preliminary Assessment of Blackdome Elizabeth Project**

The preliminary assessment was based on the concept of underground mining of the Blackdome deposit first and the Elizabeth deposit second, with all processing performed at the existing Blackdome mill at a rate of 200 t/d, or 73,000 t/y.

The text below was provided by Micon International Limited (“Micon”) as a summary to their preliminary report dated June 10, 2010 entitled “Technical Report on the Preliminary Assessment of the Elizabeth Blackdome Project British Columbia, Canada”. The entire report is incorporated herein by reference.

#### **Highlights of the Preliminary Assessment (base case using US\$950/oz gold)**

- Estimated recoverable indicated resources of 48,673 tonnes grading 12.9 g/t gold and 46.1 g/t silver, and estimated recoverable inferred resources of 23,478 tonnes grading 13.3 g/t gold and 16.0 g/t silver, at the Blackdome deposit.
- Estimated recoverable inferred resources of 526,089 tonnes at 10.19 g/t gold at the Elizabeth deposit.
- A target production rate of 200 dry metric tonnes per day (dmt/d) or 73,000 dmt per year to stay at previous Blackdome mill production levels which will help simplify the permitting process.

- A life of mine of some 8 years for the combined project (Elizabeth and Blackdome) with mining beginning at the Blackdome deposit followed by mining of the Elizabeth deposit. All run of mine will be processed at a refurbished Blackdome process plant.
- Total recovery of 94.5% gold and 77.6% silver from Blackdome ore and 92.5% total gold recovery from Elizabeth ore. The process plant will recover gold and silver from both Elizabeth and Blackdome using gravity separation and flotation producing ore and concentrate.
- Average annual gold production of approximately 23,505 ounces.
- Average LOM cash operating costs of \$686/oz.
- At US\$950/oz gold, US\$15/oz silver, and a 1.08 Canadian to US dollar exchange rate, pre-tax Net Present Value (NPV) of \$11,459,000 at a 10% discount rate generating an Internal Rate of Return (IRR) of 31%.
- Estimated start-up capital costs at Blackdome and Elizabeth of \$11.4 million and \$9.4 million respectively with a combined sustaining capital of \$9.45 million for the following six years.

The preliminary assessment is preliminary in nature. It includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the preliminary assessment will be realized. The preliminary assessment is based predominantly on inferred resources and the assumptions for the assessment are presented further in the Technical Report.

### ***Blackdome Resources***

*Estimated resources for the Blackdome deposit are presented in the table below:*

<b>Blackdome Mineral Resource Statement*</b>					
<b>Resource Category</b>	<b>Quantity</b>	<b>Grade</b>		<b>Metal</b>	
	<b>(tonnes)</b>	<b>Gold (gpt)</b>	<b>Silver (gpt)</b>	<b>Gold (ounce)</b>	<b>Silver (ounce)</b>
Indicated	144,500	11.29	50.01	52,600	232,300
Inferred	90,600	8.79	18.61	25,900	54,400

*\* Mineral resources are not mineral reserves and do not have demonstrated economic viability. All figures are rounded to reflect the relative accuracy of the estimate. Reported at a cut-off grade of 5.0 grams of gold per tonne assuming underground mining scenario, a gold price of US\$1,000 per ounce of gold and 100 percent metallurgical recovery. Modelled mined out areas removed.*

### ***Elizabeth Resources***

Estimated resources for the Elizabeth deposit are presented in the table below.

<b>Elizabeth Mineral Resource Statement*</b>			
<b>Domain</b>	<b>Quantity (tonnes)</b>	<b>Grade Gold (g/t)</b>	<b>Metal Gold (ounces)</b>
Inferred Mineral Resources			
Southwest	328,280	13.63	143,900
West	194,563	9.95	62,239
Total Inferred	522,843	12.26	206,139

*\* Mineral resources are not mineral reserves and do not have demonstrated economic viability. All figures are rounded to reflect the relative accuracy of the estimate. Reported at a cut-off grade of 5.0 grams of gold per tonne assuming underground mining scenario, a gold price of US\$1,000 per ounce of gold and 100 percent metallurgical recovery.*

### *Mining and Production*

Underground mine design for the Blackdome deposit was completed by Micon. Mine design took into consideration historic mining to identify potentially minable resources. Twenty-three stopes have been found to be suitable for production with a mobile fleet. The following table presents the expected production from the Blackdome.

<b>Year</b>	<b>-1</b>	<b>1</b>	<b>Totals</b>
Days per Year	120	365	485
Tonnes per Day	50	200	
Production Tonnes	4,326	67,944	72,270
Waste Dev Tonnes (capital)	14,679	17,786	32,465
Total Muck Tonnes	19,005	85,729	104,735
Mill Feed Tonnes	5,993	73,000	78,993

Underground mine design for the Elizabeth deposit was completed by JDS Energy and Mining Inc. Two mining methods are proposed: shrinkage and sublevel longhole stoping with unconsolidated (mined waste) fill. The following table presents the expected production profile for Elizabeth.

<b>Parameter</b>	<b>Unit</b>	<b>Production Year</b>										<b>Totals</b>
		<b>-1</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>		
Southwest Production	t	-	34,262	31,882	49,371	36,559	34,704	34,987	61,627	6,401	289,793	
West Production	t	-	38,737	41,119	23,629	36,441	38,296	38,013	11,373	8,688	236,296	
<b>Total Mine Production</b>	<b>t (dry)</b>	<b>-</b>	<b>73,000</b>	<b>73,000</b>	<b>73,000</b>	<b>73,000</b>	<b>73,000</b>	<b>73,000</b>	<b>73,000</b>	<b>15,089</b>	<b>526,089</b>	
Daily Production Rate	t/d (dry)	-	200	200	200	200	200	200	200	201	200	
Gold Grade	g/t	-	9.51	10.41	11.83	10.37	10.91	9.36	9.26	8.75	10.19	
Capital Development	m	2,173	856	405	211	-	-	-	-	-	3,645	
Sustaining Development	m	799	988	678	533	183	100	100	-	-	3,381	
<b>Total Lateral Development</b>	<b>m</b>	<b>2,972</b>	<b>1,844</b>	<b>1,083</b>	<b>744</b>	<b>183</b>	<b>100</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>7,026</b>	
	<b>m/d</b>	<b>8.1</b>	<b>5.1</b>	<b>3.0</b>	<b>2.0</b>	<b>0.5</b>	<b>0.3</b>	<b>0.3</b>	<b>-</b>	<b>-</b>	<b>2.3</b>	
Capital Raise Development	m	289	85	74	25	161	-	-	-	-	634	
Mined UG Waste	t	76,745	46,140	27,476	18,471	6,968	2,430	2,430	-	-	180,660	
Waste Fill Placed	t	-	48,097	27,505	29,401	35,409	15,581	23,366	-	-	173,967	

The preliminary assessment contemplates developing the Blackdome mine first followed by transferring some of the mining equipment for subsequent development and production at the Elizabeth deposit. Ore from the Elizabeth deposit would be hauled by truck on forestry roads to the Blackdome plant for processing. This assessment assumes that the mine will be operated by Sona Resources.

### *Metallurgy, Processing, and Infrastructure*

Results from metallurgical tests show that the ore at Elizabeth is amenable to processing using the Blackdome flowsheet. The preliminary assessment contemplates refurbishing the existing Blackdome process plant following the previous gravity flotation flowsheet at 200 tpd.

Tailings would be sent to the existing Blackdome facility and as such additional dam lifts would be constructed. Infrastructure would include a camp at the Blackdome mine. Existing buildings at Blackdome would be used for offices, maintenance, and storage. At Elizabeth, an accommodation camp & office complex would be built with modular units manufactured offsite and placed on prepared foundations. A pre-fabricated maintenance shop and portables for storage would be used at Elizabeth. Power would be produced by diesel generators at both facilities.

### **Operating Costs**

Operating cash costs over the life of the project are projected to average \$686/oz or \$208/t milled. The following table summarizes operating costs for the preliminary assessment.

	<b>\$/tonne Milled</b>
Blackdome Mining Cost Yr-1	96.65
Blackdome Mining Cost Yr1	87.91
Elizabeth Mining Cost	89.42
Transportation Cost (Elizabeth to Blackdome Mill)	10.00
Processing	80.45
General and Administration	15.00

### **Capital Costs Estimates**

Pre-production capital costs at Blackdome and Elizabeth are estimated at \$11.4 million and \$9.4 million respectively with a combined sustaining capital of \$9.45 million for the following six years. The following table summarizes capital cost estimates.

	<b>\$CDN</b>
<b>Blackdome</b>	
Capital Development - Mining	1,217,391.30
Plant & Infrastructure	1,688,475.00
Tailings and Water Management	1,300,000.00
Blackdome - Camp	300,000.00
Mining & Auxiliary Equipment	5,826,086.96
Working Capital (% of EBITDA during Mine Start Up)	167,824.36
<b>Elizabeth</b>	
Capital Development - Mining	8,634,410.00
Tailings and Water Management	1,480,000.00
Mining Equipment	673,000.00
Road Construction (Elizabeth to Blackdome)	300,000.00
Sustaining Capital	3,791,150.00
Working Capital (% of EBITDA during Mine Start Up)	491,648.55
Closure Bonding	750,000.00
Contingency	3,666,361.00
<b>Total Capital</b>	<b>30,286,347.16</b>

*Note: The contingency was calculated on a variable basis. The following contingencies were applied: Process plan, camp, and tailing facility 30%, Blackdome mining equipment and mining capital development 20% due to variable ground conditions, Elizabeth mining equipment 15%, closure bond 15%, road construction (Elizabeth to Blackdome) 15%. No contingency has been applied to working capital estimates nor for mining capital development at Elizabeth as ground conditions are anticipated to be more favorable than they are at Blackdome.*

### **Financial Analysis**

Without provision for taxation the Elizabeth-Blackdome project would be expected to yield a pre-tax undiscounted cash flow of \$26,968,000 over an operating life of some eight years resulting in a pre-tax IRR of 31%. When the base case discount rate is applied the project could be expected to yield a pre-tax discounted cash flow of \$11,459,000 resulting in an internal rate of return of 31%.

Federal, provincial, and British Columbia mining taxes have been estimated and applied to the Elizabeth-Blackdome project in order to estimate the after-tax net present value of the project. Including an estimate of possible taxation, the Elizabeth-Blackdome project would be expected to yield an after-tax undiscounted cash flow of \$19,928,000 over an operating life of some eight years resulting in an after-tax IRR of 25.7%.

The project shows positive free cash flow in each year of operation, post the pre-production period, and has a pay-back period of approximately 4 years.

Pre-tax sensitivities on NPV are presented in the table below and are based on a discount rate of 10%.

	85%	90%	95%	<b>100% (Base)</b>	105%	110%	110%
Gold Price	-4.86	0.58	6.02	11.46	16.90	22.34	27.78
Exchange Rate	-4.53	0.80	6.13	11.46	16.80	22.12	27.45
Operating Costs	22.59	18.88	15.17	11.46	7.75	4.04	0.33
Capital Costs	15.14	13.91	12.69	11.46	10.23	9.01	7.78

Notes: 1) NPV in CDN\$ Millions

2) Base case assumes US\$950 and 1.08:1 Canadian to US exchange rate

3) The preliminary assessment is preliminary in nature. It includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the preliminary assessment will be realized.

The overall accuracy is estimated at  $\pm 30\%$  which is suitable for a preliminary assessment.

### **Elizabeth Gold Property – Lillooet Mining Division, British Columbia**

#### **Project milestones**

- 2009 – Inferred resource estimate received from SRK of 206,100 ounces of gold at a grade of 12.3g Au/t.
- 2010 – Preliminary assessment study of the Blackdome Gold Mine and the Elizabeth Gold Property completed by Micon International Ltd.
- 2010 – Completed 25 hole, 3,779 metre surface diamond drill program completed.
- 2010 – Seven-kilometre access road upgraded.
- 2010 – Established new 25-man camp on site.
- 2010 – Signed four-year option with SXDLP of Canoe Creek Indian Band.
- 2011 – Completed 20 hole, 3,182 metre surface diamond drilling program
- 2011 – Completed 35 hole, 4,176 metre underground diamond drilling program.

The Elizabeth Gold Property is a high-grade advanced gold project located in southwestern British Columbia, in the Lillooet Mining District, approximately 200 kilometres north of Vancouver, 30 kilometres northeast of the historical mining town of Bralorne, and 30 kilometres south of the Blackdome Gold Mine. The 11,528.4-hectare property – consisting of four Crown grants (72.0 hectares), 23 mineral claims (9,627.4 hectares) and one optioned claim (1,829.04 hectares) – is situated along a tributary of the Yalakom River in steep, glaciated terrain between 2,100 and 2,500 metres in elevation on NTS Map Sheet 92O/2E. Access to the property is from the town of Lillooet, approximately 75 kilometres up the Yalakom River forest service road. The property has good infrastructure, with several roads accessing the old mine workings and the areas proposed for exploration.

The Elizabeth Gold Project #1 to #4 Crown Grants have been surveyed whereas the other claims have not. The Company rights to the Elizabeth Gold Project derive from two separate option agreements with private individuals to acquire a 100 percent working interest in the Elizabeth Crown Grants and Mineral Claims. The terms of the options include cash payments, advance royalty payments, issuance of Company shares, exploration work commitments, and a net smelter return royalty of four and three percent, respectively.

The Elizabeth Gold Project is situated in the Shulaps Range between the Fraser Plateau to the east and the Chilcotin Ranges to the west, and occupies several broad glacial valleys. Topographic relief is about 1,000 metres, rising from about 1,800 metres above sea level (m asl) along Blue Creek, to about 2,800 m asl. The climate is alpine.

The nearest population centre is the town of Lillooet with a population of 2,800 in town and another 4,500 in the surrounding region. Access from Lillooet to the Property is 32 kilometres via paved Highway 40 that connects Lillooet and Goldbridge, then 67 kilometres via an unpaved logging road that follows the Yalakom River to the northwest, and then nine kilometres westerly on a private road along Blue Creek. A network of bulldozer roads provides good access to the southern portion of the Property.

Mining activity within the Lillooet mining district dates back to the mid-19th century when prospectors entered the Bridge River area from the Fraser River Canyon. Placer gold was found in the area in 1863 and the first mineral claims were staked in 1896. The Pioneer Mine went into production in 1914 and the Bralorne Mine in 1932. By the time production ceased at Bralorne in 1971, the Bralorne and Pioneer Mines had together produced 4.1 million ounces of gold at an average grade of 0.53 ounces per ton. The Bralorne Mine was put back into production in 2004.

Gold-bearing quartz veins were discovered near Blue Creek in 1934, and in 1940 - 1941 the Elizabeth No. 1-4 claims were staked. Bralorne Mines Ltd. optioned the property in 1941 and during the period 1948 - 1949, explored the presently-named Main and West Veins by about 700 metres of cross-cutting and drifting, as well as about 110 metres of raises.

After acquiring the Elizabeth Gold Project in 2002, the Company has conducted a series of exploration programmes from 2002 to 2009 that included diamond drilling 66 holes totalling 8962.8 metres. In 2010 the Company drilled an additional 25 holes totalling 3,779 metres. Other exploration work by the Company at the Elizabeth Gold Project has included two soil grid, stream sediment sampling, geological mapping and sampling, underground rehabilitation, structural mapping and airborne photography and topographic base map generation.

The area in which the Elizabeth Gold Project is situated is underlain by Late Paleozoic to Mesozoic rock assemblages that are juxtaposed across a complex system of faults mainly of Cretaceous and Tertiary age. These Paleozoic to Mesozoic-age rocks are intruded by Cretaceous and Tertiary-age stocks and dykes of mainly felsic to intermediate composition, and are locally overlain by Paleogene volcanic and sedimentary rocks. The Elizabeth Gold Project is partly underlain by ultramafic rocks of the Shulaps Ultramafic Complex, which include harzburgite, serpentinite and their alteration product listwanite.

The gold mineralization found on the Elizabeth Gold Project present characteristics typical of epigenetic mesothermal gold deposits. The auriferous quartz vein mineralization is analogous to that found in the Bralorne-Pioneer deposits. Gold mineralization is hosted by a series of northeast trending, steeply northwest dipping veins that crosscut the Blue Creek porphyry intrusion. The Main and West vein systems display mesothermal textures, including ribboned-laminated veins and comprehensive wall rock breccias. Vein formation and gold mineralization were associated with extensional-brittle faulting believed to be contemporaneous with mid- Eocene extensional faulting along the Marshall Creek, Mission Ridge and Quartz Mountain faults.

The mineral resource model estimated by SRK represents the first mineral resource evaluation prepared for the Elizabeth Gold Project and considers drilling and underground sampling information acquired by the Company between 2002 and 2007. The 25 drill holes completed in 2010 have not been included into the current resource. The effective date of this resource estimate is June 8, 2009.

The mineral resource statement reported by SRK Inc is a collaborative effort between the Company and SRK personnel. The exploration database was compiled and maintained by the Company, and audited by SRK. The geological model and outlines for the gold mineralization were constructed by SRK. In the opinion of SRK, the geological model is a reasonable representation of the distribution of the gold mineralization at the current level of sampling.

The mineral resources have been estimated in conformity with generally accepted CIM "Estimation of Mineral Resource and Mineral Reserves Best Practices" guidelines and are reported in accordance with Canadian Securities Administrators National Instrument 43-101. The mineral resources for the Elizabeth Gold Project have been classified by Dorota El-Rassi, P.Eng (APEO #100012348) an appropriate "Independent Qualified Person" as defined by National Instrument 43-101.

Four quartz vein wireframe models (Main, West, Southwest and Northwest) were constructed from drilling and underground sampling information to constrain the gold mineralization. After review of sampling length information SRK composited all assay data to 1.5-metre lengths for geostatistical analysis and variography. In absence of specific gravity data, SRK used an average value of 2.70 for converting volumes into tonnages. Gold grades were estimated in each of the four vein domains separately using ordinary kriging informed from capped composites and estimation parameters derived from variography. Three estimation passes were used for assigning a grade to each sub-domain, with increasing search ellipse size.

A rotated block model aligned along the strike of the auriferous gold veins was constructed to cover the entire project area with block size set a five by ten by ten metres.

Considering the lack of specific gravity data, the minor discrepancies in the collar elevation positions and the use of historical underground chip sampling data that are difficult to validate, SRK is of the opinion that all mineral resources are appropriately classified as an Inferred Mineral Resource within the meaning of CIM Definition Standards for Mineral Resources and Mineral Reserves (December 2005). After validation and classification, SRK considers that the mineral resources reported at a cut-off grade of 5.0 gpt gold show “reasonable prospects for economic extraction” from an underground mine. Only two veins of the modeled veins contain resource blocks above this cut-off grade. The Mineral Resource Statement for the Elizabeth Gold Project is presented in Table i.

Domain	Quantity (tonnes)	Grade Gold (gpt)	Metal Gold (ounces)
<b>Inferred Mineral Resources</b>			
Southwest	328,280	13.63	143,900
West	194,563	9.95	62,239
<b>Total Inferred</b>	<b>522,843</b>	<b>12.26</b>	<b>206,139</b>

*\* Mineral resources are not mineral reserves and do not have demonstrated economic viability. All figures are rounded to reflect the relative accuracy of the estimate. Reported at a cut-off grade of 5.0 grams of gold per tonne assuming underground mining scenario, a gold price of US\$1,000 per ounce of gold and 100 percent metallurgical recovery. In the opinion of SRK, the mineral resource statement reported herein is a reasonable representation of the global gold mineral resources found in the Elizabeth Gold Project at the current level of sampling.*

SRK recommended that the Company initiate engineering, metallurgical and environmental studies aimed at completing the characterization of the context of the gold mineralization and evaluate at a conceptual level the feasibility of an underground mine on the Elizabeth Gold Project.

During 2010 the Company completed a 26 drill hole, 3,779 metre diamond drill program and received the results of the metallurgical testing on the Elizabeth Gold Deposit mineralization. The metallurgical testing, conducted by G&T Metallurgical Services Limited of Kamloops, B.C., of mineralized drill core samples confirms that 93 percent of the gold from these samples can be recovered and it is amenable to processing in the Blackdome Mill which the Company also owns.

In 2011, a 20 hole, 3,182 metre surface diamond drill program was undertaken to test the southwest extension of the Southwest Vein (15 holes) where multi-ounce grades were intersected in the 2010 drilling, a four holes were collared to test the down dip extension of the known mineralization in the No. 9 Vein and one hole tested the Listwanite zone located about 300 metres west of the No 9 Zone.

Also in 2011, a 35 hole, 4,173 metre underground drill program was collared about half way in on the Upper Adit to the east of the West Vein mineralization and at the intersection of the southwestern end of the Upper drift on the West Vein with the Upper adit. The drilling tested the West Vein predominantly between the West Vein upper drift level to a depth of about 135 metres with 24 holes. The drill also was oriented southward to test the parallel Main Vein (7 holes) around the depth of the Upper Adit and drill northward to intersect the D Vein and northwest extension of the Southwest Vein (4 holes) in an area where it is very difficult to drill from surface.

The Elizabeth gold deposit property occurs within alpine terrain and has six known roughly parallel structures containing gold mineralization that occur above the tree line at an elevation above 2000 metres ASL and mostly covered by steep talus slopes. Additionally the structures dip into Elizabeth mountain at a dip of 80° to 85° making drilling from the surface difficult.

The compliant NI 43-101 Inferred category gold mineralization on the Elizabeth property has been drill tested on the ends of two of the structures; the Southwest Vein and the West Vein. Both structures warrant further drilling along strike from the known gold mineralization. No drilling has been undertaken below 200 metres from surface. Four other structures are known to contain gold mineralization and further drilling is warranted on all four structures to trace and outline the gold mineralized areas.

The current NI 43-101 compliant Inferred mineral resource on the Southwest and West Veins is based on diamond drill results up to and including that completed in 2009. An updated NI 43-101 resource report on the Elizabeth Gold Deposit is planned for the first quarter of 2012 incorporating the 11,134 metres of diamond drilling completed in 2010 and 2011.

## **Blackdome-Elizabeth Preliminary Economic Assessment**

In May 2010, the Company received the Preliminary Economic Assessment evaluation from Micon International Ltd. of mining the known mineral resources at the Blackdome Gold Mine and the Elizabeth Gold Property and processing them at the former-producing Blackdome mill.

See the section entitled “Blackdome-Elizabeth Preliminary Economic Assessment” of this MD&A for details of the Preliminary Economic Assessment.

### **Montgolfier Project – Montgolfier and Orvilliers Townships, Quebec**

In January 2004, the Company entered into an option to purchase 100 percent of 113 staked claims and 32 mapdesignated cells, totalling 3,552 hectares in the townships of Montgolfier and Orvilliers, Quebec with Ressources D. Villeneuve Inc. (“RDV”). The Company added 14 staked claims and 67 map-designated cells to the land package under the agreement with RDV, and subsequently dropped 49 claims for a current total of 4,822 hectares. The Company has assumed ownership of all the claims, as it has fulfilled the terms of the option agreement, including total payments of \$180,000 and the issuance of 50,000 shares (pre-consolidation). RDV retains a two percent net smelter royalty, of which the Company can purchase 1.5 percent for \$1.5 million.

The Montgolfier project covers approximately twenty five kilometres of strike length of the Casa Berardi Fault Zone. The Montgolfier project is situated within the flat marshy drainage of the Harricana River, at an average elevation of approximately 320 metres above mean sea level. However, owing to the braided streams and interconnected swampy areas, access to the property is challenging. Heavy equipment such as drilling rigs can access the project only during the winter months.

The geology of the Montgolfier project is characterized by Archean volcanosedimentary rocks metamorphosed to lower greenschists assemblages and exhibiting strong brittle-ductile deformation features. Historical exploration work has intersected gold mineralization in surface boreholes associated with quartz veining, hydrothermal alteration and sulphide mineralization. The characteristics of the gold mineralization described in assessment records are similar to a class of hydrothermal gold deposits referred to as mesothermal or “orogenic” gold deposits.

The Montgolfier property straddles the Casa Berardi Tectonic Zone (“CBTZ”) and is situated along the eastern strike extension of stratigraphy and structural patterns considered similar to those underlying the nearby Casa Berardi gold project. The southern portion of the Montgolfier project is underlain by volcanic stratigraphy interpreted as laterally equivalent to that hosting the Estrades polymetallic volcanogenic deposits.

The project is mostly underlain by sedimentary rocks of the Taïbi basin. In this area, the Taïbi basin is restricted to a narrow east-northeast-trending belt (one to three kilometres in thickness) squeezed between two large volcanic land masses. The CBTZ transects this area obliquely and represents the primary exploration target for structurally-controlled orogenic gold deposits.

Amid the excitement created by the discovery of gold in the Casa Berardi area during the early 1980s, all open ground in the area was rapidly staked and covered by extensive overburden drilling, airborne and ground geophysics and core drilling programs. In November 1985, gold-rich polymetallic volcanogenic massive sulphide mineralization was discovered on the Estrades property by Teck Exploration.

Exploration work in the Montgolfier area was primarily conducted between 1984 and 1991 by three main groups: Boulder Mountain Resources, in the Orvilliers Township over the western portion of the current claim blocks, Teck Exploration / Golden Hope Resources in the central portion of the current claim blocks and Placer-Dome/Golden Shield Resources mostly in the Montgolfier Township. Very little exploration work has been conducted since.

According to public assessment records, historical drilling has intersected gold mineralization associated with quartz-carbonate veining developed within the CBTZ, suggesting that this structure is fertile within the footprint of the Montgolfier project.

During the second quarter of 2005, Fugro Airborne Surveys were commissioned to conduct a helicopter-based DIGHEM survey over the project area in order to image geological and structural patterns of this poorly outcropping region and to assist in identifying gold exploration targets.

The Company conducted a drilling program in early 2007 consisting of twenty-six diamond drill holes with a total length of 9,707 metres. The program was designed to test a number of anomalies identified following an earlier aeromagnetic survey over a strike length of approximately thirty kilometres. All targets were associated and in close proximity to the Casa Berardi Structural Zone. No more than two drill holes were allocated for each individual target. The drill program was successful in intersecting anomalous gold mineralization in a number of holes; four of which are especially promising.

Based on results obtained during the 2007 drilling program, SRK Consulting (Canada) Inc. recommended a follow-up drill program to test for along strike and down dip extension of newly discovered mineralization.

The 2008 program consisting of 16 holes totalling 9,225 metres was designed to test the lateral and depth extension of gold mineralization explored in 2007. The program focused on three main target areas spanning 16 kilometres of strike length along the Casa Berardi Fault.

In the western portion of the project, drilling on three sections spaced 100 metres apart outlined two corridors of strong quartz-muscovite-pyrite alteration developed south of the CBF and discontinuously auriferous. Although the 2008 drilling did not successfully replicate the encouraging assay results obtained in 2007, both corridors that remain open along strike and at depth suggest the presence of a significant gold-related alteration system.

No work was undertaken on the Montgolfier property in 2011.

John P. Thompson, P.Eng., is President and CEO of Sona Resources Corp., and a member of the Association of Professional Engineers and Geoscientists of the Province of British Columbia, and the Association of Professional Engineers of Ontario. Mr. Thompson is a Qualified Person as defined by National Instrument 43-101 *Standards of Disclosure for Mineral Projects*, and is responsible for the preparation of, and has verified, the technical information in this MD&A.

## International Financial Reporting Standards (“IFRS”)

Effective January 1, 2011, Canadian publicly listed entities were required to prepare their financial statements in accordance with IFRS. Due to the requirement to present comparative financial information, the effective transition date is January 1, 2010. The three months ended March 31, 2011 was the Company’s first reporting period under IFRS.

The condensed consolidated interim financial statements were prepared using accounting policies it expects to adopt for its December 31, 2011 annual financial statements. Because the annual financial statements will be prepared using accounting standards in effect at December 31, 2011, differences may arise at that date because new standards may be issued subsequent to these interim financial statements which could be effective December 31, 2011. Any change in accounting standards may result in material changes to the Company’s reported financial position, results of operations and cash flow.

The Company’s IFRS conversion process identified four phases: scoping and planning, detailed assessment, implementation and post-implementation. The Company has now completed its IFRS conversion project through implementation. Post-implementation will continue in future periods, as outlined below.

The following outlines the Company’s transition project, IFRS transitional impacts and the on-going impact of IFRS on its financial results.

The notes to the unaudited condensed consolidated interim financial statements for the quarters ended September 30, 2011 and March 31, 2011 provides more detail on the Company’s key pre-2011 Canadian GAAP to IFRS differences, its accounting policy decisions under IFRS 1, First-Time Adoption of IFRS, optional exemptions for significant or potentially significant areas that have had an impact on its financial statements on transition to IFRS or may have an impact in future periods.

### Transitional Financial Impact

As a result of the policy choices the Company has selected and the changes it was required to make under IFRS, the Company has recorded an increase in non-current assets of \$8,197; an increase in non-current liabilities of \$35,748 and a reduction in its equity of \$27,551 as at January 1, 2010. The table below outlines adjustments to its non-current assets, non-current liabilities and equity upon adoption of IFRS on January 1, 2010, and at September 30, 2010 and December 31, 2010 for comparative purposes.

	As at January 1, 2010	As at September 30, 2010	As at December 31, 2010
<b>Non-current assets under Canadian GAAP</b>	<b>\$ 9,838,128</b>	<b>\$ 10,894,019</b>	<b>\$ 11,694,706</b>
Property, plant and equipment	8,197	22,346	107,535
<b>Non-current assets under IFRS</b>	<b>\$ 9,846,325</b>	<b>\$ 10,916,365</b>	<b>\$ 11,802,241</b>
<b>Non-current liabilities under Canadian GAAP</b>	<b>\$ 129,986</b>	<b>\$ 138,760</b>	<b>\$ 233,771</b>
Restoration provision	35,748	45,418	121,331
<b>Non-current liabilities under IFRS</b>	<b>\$ 165,734</b>	<b>\$ 184,178</b>	<b>\$ 355,102</b>
<b>Equity under Canadian GAAP</b>	<b>\$ 10,953,791</b>	<b>\$ 11,046,140</b>	<b>\$ 14,379,218</b>
Share-based payments reserve	11,970	55,960	28,624
Deficit	(39,521)	(79,032)	(42,420)
<b>Equity under IFRS</b>	<b>\$ 10,926,240</b>	<b>\$ 11,023,068</b>	<b>\$ 14,365,422</b>

#### Net Loss and Comprehensive Loss Impact

As a result of the policy choices the Company has selected and the changes it was required to make under IFRS, the Company has also recorded an increase in its net loss and comprehensive loss of \$11,320 for the three months ended September 30, 2010, an increase of \$39,511 for the nine months ended September 30, 2010 and an increase of \$2,899 for the year ended December 31, 2010.

A reconciliation of the Company's net loss and comprehensive loss under Canadian GAAP and IFRS for the three months ended September 30, 2010, the nine months ended September 30, 2010 and the year ended December 31, 2010 are provided below, all of which are outlined in the notes to the unaudited condensed consolidated interim financial statements for the quarters ended September 30, 2011 and March 31, 2011.

	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010	Year Ended December 31, 2010
<b>Net loss and comprehensive loss under Canadian GAAP</b>	<b>\$ (459,888)</b>	<b>\$ (1,185,366)</b>	<b>\$ (1,696,831)</b>
Share-based payments	(12,896)	(43,990)	(16,654)
Restoration accretion	1,576	4,479	13,755
<b>Net loss and comprehensive loss under IFRS</b>	<b>\$ (471,208)</b>	<b>\$ (1,224,877)</b>	<b>\$ (1,699,730)</b>

#### Cash Flow Impact

There was no significant impact to the Company's cash flows as a result of its transition from Canadian GAAP to IFRS.

#### Financial Statement Presentation Changes

The transition to IFRS has resulted in some financial statement presentation changes in the Company's consolidated financial statements. The following is a summary of the significant changes to the Company's consolidated statement of financial position and to its consolidated statements of loss and comprehensive loss:

##### Statements of Financial Position and Statements of Loss and Comprehensive Loss

###### *Restoration Provision and Restoration Accretion*

- Under Canadian GAAP, asset retirement obligations are measured at fair value, incorporating market assumptions and discount rates based on the Company's credit-adjusted risk-free rate. Adjustments are made to asset retirement obligations for changes in the timing or amount of the cash flows and the unwinding of the discount.

Under IFRS, restoration provisions are measured at the present value of the expected expenditures required to settle the obligation using a pre-tax discount rate reflecting the time value of money and risks specific to the liability. The liability is increased for the passage of time and adjusted for changes to the current market-based risk-free discount rate, and the amount or timing of the underlying cash flows needed to settle the obligation. The associated restoration costs are capitalized as part of the carrying amount of the related long-lived asset and amortized using the unit-of-production method based on estimated proven and probable ore reserves upon commencement of production.

The Company elected to apply the exemption from full retrospective application as allowed under IFRS 1. As such, the Company re-measured the restoration provision as of the Transition Date under IAS 37 and estimated the amount to be included in the related asset by discounting the liability to the date in which the liability arose. This resulted in an increase in the restoration provision of \$35,748 at January 1, 2010, \$45,418 at September 30, 2010 and \$121,331 at December 31, 2010. Accordingly, the increase in the related asset, Property, Plant and Equipment, was \$8,197 at January 1, 2010, \$22,346 at September 30, 2010 and \$107,535 at December 31, 2010 and the adjustment to deficit was \$27,551 at January 1, 2010, \$79,032 at September 30, 2010 and \$13,796 at December 31, 2010.

The increase in the provision from September 30, 2010 to December 31, 2010 is primarily due to a change in the estimated cash flows and a change in the discount rate used to calculate the restoration provision from a credit-adjusted discount rate of 9.00% used under Canadian GAAP compared to the risk-free discount rate of 3.11% used under IAS 37.

In addition, under Canadian GAAP, the unwinding of the discount was disclosed as accretion expense, and has now been reclassified under finance expense as restoration accretion in accordance with IFRS.

#### *Share-based Payments Reserve and Share-based Payments*

- Under Canadian GAAP, the Company calculated the fair value of share-based awards with graded vesting as one grant and used the straight-line method of calculating share-based payments over the vesting period.

Under IFRS, each tranche of a share-based award with different vesting dates was considered a separate grant for the fair value calculation. The resulting fair value of the share-based payment is recognized over the vesting period of the respective tranche using the graded vesting method.

The transition impact was an increase in share-based payments reserve of \$11,970 at January 1, 2010 with the corresponding entry to deficit. The impact for the three months ended September 30, 2010 was an increase of \$12,896 in share-based payments and for the nine months ended September 30, 2010 the increase in share-based payments was \$43,990.

#### *Control Activities*

For all changes to policies and procedures that have been identified, the effectiveness of internal controls over financial reporting and disclosure controls and procedures has been assessed and any changes have been implemented. In addition, controls over the IFRS changeover process have been implemented, as necessary. The Company has identified and implemented the required accounting process changes that resulted from the application of IFRS accounting policies and these changes were not significant. The Company has completed the design, implementation and documentation of internal controls over the accounting process changes resulting from the application of IFRS accounting policies and applied its existing control framework to the IFRS changeover process. All accounting policy changes and transitional financial position impacts were subject to review by senior management and the Audit Committee of the Board of Directors.

#### *Business Activities and Key Performance Measures*

The Company has assessed the impact of the IFRS transition project on its key ratios. The transition did not significantly impact its key ratios.

#### *Information Technology and Systems*

The IFRS transition project did not have a significant impact on its information systems for the convergence periods. The Company also does not expect significant changes in the post-convergence periods.

### Post-Implementation

The post-implementation phase will involve continuous monitoring of changes in IFRS in future periods. The Company has noted that the standard-setting bodies that determine IFRS have significant ongoing projects that could impact the IFRS accounting policies that the Company has selected. In particular, the Company expects that there may be additional new or revised IFRSs or IFRICs in relation to consolidation, joint ventures, financial instruments, hedge accounting, discontinued operations, leases, employee benefits, revenue recognition and stripping costs in the production phase of a surface mine. The Company has also noted that the IASB is currently working on an extractive industries project, which could significantly impact the Company's financial statements primarily in the areas of capitalization of exploration and evaluation costs and disclosures. The Company has processes in place to ensure that the potential changes are monitored and evaluated. The impact of any new IFRSs and IFRIC Interpretations will be evaluated as they are drafted and published.

## Significant Accounting Policies

A detailed summary of all of the Company's significant accounting policies is included in Note 2 of the unaudited condensed consolidated interim financial statements for the period ended March 31, 2011.

## New IFRS Pronouncements

### **(a) Financial Instruments**

In November 2009, the International Accounting Standards Board ("IASB") issued IFRS 9, Financial Instruments, which addresses the classification and measurement of financial assets as the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement. Requirements for financial liabilities were added in October 2010. IFRS 9 must be applied starting January 1, 2013, with early adoption permitted. The Company has not early adopted IFRS 9 and is currently assessing impact of this standard on its consolidated financial statements.

### **(b) Consolidated Financial Statements**

In May 2011, the IASB issued IFRS 10, Consolidated Financial Statements and IFRS 12, Disclosure of Interests in Other Entities. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This IFRS defines the principle of control and establishes control as the basis for determining which entities are consolidated in an entity's consolidated financial statements. IFRS 10 sets out three elements of control: a) power over the investee; b) exposure, or rights, to variable returns from involvement with the investee; and c) the ability to use power over the investee to affect the amount of the investors return. IFRS 10 sets out the requirements on how to apply the control principle. IFRS 12 outlines disclosure requirements for interests in subsidiaries and other entities to enable users to evaluate the risks associated with interests in other entities and the effects of those interests on an entity's financial position, financial performance and cash flows. IFRS 10 and IFRS 12 supersede IAS 27, Consolidated and Separate Financial Statements and SIC-12, Consolidation – Special Purpose Entities.

IFRS 10 and IFRS 12 are effective for annual periods beginning on or after January 1, 2013, with earlier application permitted if adopted along with IFRS 11, IFRS 12, IAS 27 (revised) and IAS 28 (revised). The Company has not early adopted IFRS 10 and IFRS 12 and is currently assessing the impact of these standards on its consolidated financial statements.

### **(c) Fair Value Measurement**

In May 2011, the IASB issued IFRS 13, Fair Value Measurement. This standard defines fair value, sets out a single IFRS framework for measuring fair value and outlines disclosure requirements about fair value measurements. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement so assumptions that market participants would use should be applied in measuring fair value.

IFRS 13 is effective for annual periods on or after January 1, 2013, with earlier application permitted. This IFRS is to be applied prospectively as of the beginning of the annual period in which it is initially applied and the disclosure requirements do not need to be applied in comparative periods before initial application. The Company has not early adopted IFRS 13 and is currently assessing the impact of this standard on its consolidated financial statements.

## Results of Operations

As Sona is in the exploration phase and its properties are in the mid to late stages of exploration, none of the Company's properties are in production. Therefore, mineral exploration expenditures are capitalized and losses incurred as a result of administrative expenses relating to the operation of the Company's business. Consequently net income is not a meaningful indicator of its performance or potential. The key performance driver for the Company is the acquisition and development of prospective mineral properties. By acquiring and exploring projects of superior technical merit, the Company increases its chances of finding and developing an economic deposit. At this time, the Company is not anticipating profit from operations. Until the Company is able to realize profits from the production and marketing of commodities from its mineral interests, it will report an annual deficit and will rely on its ability to obtain equity or debt financing to fund ongoing operations.

Additional financing is required for both current and new exploration and promotional initiatives. Due to the inherent nature of the junior mineral exploration industry, the Company will have a continuous need to secure additional funds through the issuance of equity or debt to support its corporate and exploration activities, as well as its share of obligations relating to its mineral properties.

### For the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010

The net loss for the nine months ended September 30, 2011, was \$1,929,518, or (\$0.09) per share, as compared to the net loss for the nine months ended September 30, 2010, of \$1,224,877, or \$(0.08) per share.

Operating expenses for the nine months ended September 30, 2011, totaled \$1,934,405 (September 30, 2010 – \$1,220,572), an increase of \$713,833. The increase in operating expenses resulted mainly from the following significant operating expenditures:

- Accounting and legal expenses of \$111,451 (September 30, 2010 – \$72,087). The increase in accounting and legal expenses is due to the Company incurring more legal fees in connection with maintaining property agreements, the accrual of accounting fees for the first quarter review conducted by the Company's auditors on its condensed consolidated interim financial statements prepared in accordance with IFRS and other day-to-day corporate matters.
- Office and administration expenses of \$192,273 (September 30, 2010 – \$286,503). The decrease in office and administration expenses is due to the Company incurring less advertising, promotional and marketing costs to attract potential investors during the period.
- Professional fees of \$126,369 (September 30, 2010 – \$117,980). The increase in professional fees is due to an increase in fees paid to a consulting firm controlled by an officer of the Company.
- Share-based payments expense of \$996,801 (September 30, 2010 – \$104,436). The increase in share-based payments expense is due to the fact that the Company granted 780,000 incentive stock options during the period of which 625,000 options vested immediately and therefore the fair value assigned to those options has been recognized during the nine months ended September 30, 2011. The remaining 155,000 options were subject to vesting criteria. Of these 155,000 options, 38,750 have vested during the nine months ended September 30, 2011 and therefore the fair value assigned to those options has also been recognized during the period.
- Travel expenses of \$80,138 (September 30, 2010 - \$103,895). The decrease in travel expenses is a result of less travel being incurred during this period in comparison to the prior period for corporate, promotional and marketing activities.
- Wages of \$311,934 (September 30, 2010 – \$391,967). The decrease in wages is a result fewer employees at the Company's corporate head office and therefore less head office wages being incurred in comparison to the prior period.

Other operating costs, excluding amortization during the nine months ended September 30, 2011, totaled \$110,988 (September 30, 2010 – \$137,254), representing 6% (September 30, 2010 – 11%) of total operating expenses which include bank charges and interest, exploration and evaluation maintenance, regulatory fees, and rent.

Amortization for the nine months ended September 30, 2011, totaled \$4,451 (September 30, 2010 – \$6,450). The decrease in amortization is a result of the Company recognizing its amortization on a declining balance method and thus less amortization will be recognized as the asset moves closer to the end of its useful life.

Finance income totaled \$4,887 (September 30, 2010 – finance expense of \$4,305) and comprised of accretion on the Company's restoration provision, interest income and a foreign exchange gain (loss).

*For the three months ended September 30, 2011 compared to the three months ended September 30, 2010*

The net loss for the three months ended September 30, 2011, was \$251,347, or \$(0.01) per share, as compared to the net loss for the three months ended September 30, 2010, of \$471,208, or \$(0.03) per share.

Operating expenses for the three months ended September 30, 2011, totaled \$264,036 (September 30, 2010 – \$468,667), a decrease of \$204,631. The decrease in operating expenses resulted mainly from the following significant operating expenditures:

- Office and administration expenses of \$43,577 (September 30, 2010 – \$84,652). The decrease in office and administration expenses is due to the Company incurring less advertising, promotional and marketing costs to attract potential investors during the period.
- Professional fees of \$34,501 (September 30, 2010 – \$69,139). The decrease in professional fees during the three month period ended September 30, 2011 in comparison to the three month period ended September 30, 2010 is due to the Company no longer paying fees to an outside consulting firm for investor relation and advertising and promotional services.
- Share-based payments expense of \$38,359 (September 30, 2010 – \$25,857). The increase in share-based payments expense is due to the fact that the Company granted 780,000 incentive stock options during the first quarter in which 625,000 options vested immediately and the remaining 155,000 options were subject to vesting criteria. The fair value assigned to these unvested options is recognized on a graded-vested basis which sees more of an expense recognized during the earlier portion of the option's unvested life. Of these 155,000 options, 38,750 have vested during the three months ended September 30, 2011 and therefore the fair value assigned to those options has also been recognized during the period.
- Travel expenses of \$25,673 (September 30, 2010 - \$49,502). The decrease in travel expenses is a result of less travel being incurred during this period in comparison to the prior period for corporate, promotional and marketing activities.
- Wages of \$69,569 (September 30, 2010 – \$199,540). The decrease in wages is a result fewer employees at the Company's corporate head office and therefore less head office wages being incurred in comparison to the prior period.
- Other operating costs, excluding amortization during the three months ended September 30, 2011, totaled \$50,893 (September 30, 2010 – \$37,879), representing 19% (September 30, 2010 – 8%) of total operating expenses which include accounting and legal, bank charges and interest, exploration and evaluation maintenance, regulatory fees and rent.

Amortization for the three months ended September 30, 2011, totaled \$1,464 (September 30, 2010 – \$2,098). The decrease in amortization is a result of the Company recognizing its amortization on a declining balance method and thus less amortization will be recognized as the asset moves closer to the end of its useful life.

Finance income totaled \$12,689 (September 30, 2010 – finance expense of \$2,541) and comprised of accretion on the Company's restoration provision, interest income and a foreign exchange gain (loss).

## Summary of Quarterly Results

The following table summarizes selected financial data reported by the Company for the quarter ended September 30, 2011 and the previous seven quarters in Canadian dollars. Fiscal quarters prior to the quarter ended March 31, 2010 are presented in accordance with Canadian GAAP and were not required to be restated to IFRS.

	IFRS							Prior Canadian GAAP
	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010	December 31, 2009
Total assets	\$15,290,507	\$14,860,873	\$15,117,370	\$14,911,252	\$11,422,710	\$10,570,876	\$10,895,453	\$11,276,457
Property, plant and equipment	\$2,441,056	\$2,406,809	\$2,354,928	\$2,365,484	\$2,215,498	\$2,190,169	\$2,181,785	\$2,173,467
Exploration and evaluation assets	\$12,040,785	\$10,105,716	\$9,550,734	\$9,245,340	\$8,507,252	\$7,722,137	\$7,527,292	\$7,398,728
Equity	\$14,001,277	\$14,214,265	\$14,571,627	\$14,365,422	\$11,023,068	\$10,251,150	\$10,630,191	\$10,953,791
Revenues	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –
Net loss	\$(251,347)	\$(418,482)	\$(1,259,689)	\$(474,853)	\$(471,208)	\$(424,669)	\$(329,000)	\$(550,994)
Basic and diluted loss per share	\$(0.01)	\$(0.02)	\$(0.06)	\$(0.03)	\$(0.03)	\$(0.03)	\$(0.02)	\$(0.04)

- *Basic and diluted loss per share is the same, as the effect of potential shares issuances under stock options or warrant agreements would be anti-dilutive.*

## Liquidity and Capital Resources

As of September 30, 2011, the Company had \$243,991 in cash and cash equivalents. Subsequent to the period end, the Company completed a private placement for gross proceeds of \$600,000 (*please see section entitled “Subsequent Events” within this MD&A*). The Company does not have any cash flow from operations, because it is an exploration stage company and therefore financings have been the sole source of funds in the past few years.

At September 30, 2011, the Company had working capital deficiency of \$264,155. In the opinion of management, this working capital is not sufficient to support the Company’s current fieldwork programs on its respective exploration projects and the Company will require further financing to fund ongoing general and administrative expenses and it will likely need to go to the market to achieve this (*please see section entitled “Subsequent Events” within this MD&A*).

Given the volatility in equity markets, the global uncertainty in economic conditions, cost pressures and results of exploration activities, management constantly reviews its expenditures and exploration programs and the equity markets to ensure that the Company has sufficient liquidity to support its growth strategy.

During the nine months ended September 30, 2011, the main cash expenditures totaled \$933,153 and non-cash expenditures such as share-based compensation and amortization totaled \$1,001,252.

## Liquidity Outlook

The Company’s cash position is highly dependent on its ability to raise cash through financings and the expenditures on its exploration programs. Capital expenditures are not expected to have any material impact on liquidity.

Management believes that even with the financings completed in January and March of 2011 and subsequent to the period end in November of 2011, the Company will need additional external financing for the following year. As results of exploration programs are determined and other opportunities become available to the Company, management may complete an external financing as required.

The outlook is based on the Company’s current financial position and is subject to change if opportunities become available, based on current exploration program results and/or external opportunities.

At present, the Company’s operations do not generate cash inflows, and its financial success depends on management’s ability to discover economically viable mineral deposits. The mineral exploration process can take many years and is subject to factors beyond the Company’s control.

To finance the Company's future exploration programs and to cover administrative and overhead expenses, the Company raises money through equity sales, from the exercise of convertible securities, and from optioning its resource properties. Many factors influence the Company's ability to raise funds, including the health of the resource market, the climate for mineral exploration investment, the Company's track record, and the experience and calibre of its management. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration activities. Management believes it will be able to raise equity capital as required in the long term, but recognizes that there will be risks involved that may be beyond its control.

#### Going Concern

While the condensed consolidated interim financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its commitments, continue operations and realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company will need to raise sufficient funds to finance ongoing exploration and administrative expenses. The Company has no assurance that such financing will be available or be available on favourable terms. Factors that could affect the availability of financing include the Company's performance (as measured by numerous factors, including the progress and results of its various projects), the state of international debt and equity markets, investor perceptions and expectations, and the global financial and metals markets. If successful, the Company would obtain additional financing through, but not limited to, the issuance of additional equity.

The condensed consolidated interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

## Exploration Stage Company

The Company is engaged in the business of acquiring, exploring and developing mineral properties with the expectation of locating economic deposits of minerals. All of the properties are without proven ore deposits, and there is no assurance that the Company's exploration programs will result in such; nor can there be any assurance that economic deposits can be commercially mined. Consequently, the risks and uncertainties and forward-looking information are subject to the following known and unknown risks and uncertainties but are not limited thereto:

- Exploration and development of mining properties is highly speculative in nature and involves a high degree of risk.
- There are many competitors in the business, some of which have greater financial, technical and other resources.
- Mining involves many hazards and risks in the field, such as unexpected rock formations, seismic activity, cave-ins, adverse weather, unstable political conditions and many other factors.
- Timing delays in exploration and development and delays in funding may result in delays and postponement of projects.
- There is no assurance that the Company will be able to obtain all the necessary permits and approvals to conduct its affairs, and no assurance that future tax, environmental or other legislation will not cause additional expenses, delays or postponements.
- The operations are subject to environmental regulation, any breach of which may result in imposition of enforcement actions; environmental hazards presently unknown to the Company may exist on its current properties; and regulations and laws may change over time.
- World prices for metals can be unstable and unpredictable due to changes in economic conditions, and may materially affect the Company's operations.
- The securities markets worldwide have experienced high price and volume volatility.
- The Company depends upon the services of several key individuals whose loss could significantly affect operations.
- Officers and directors of the Company may have potential conflicts of interest with other entities.

- Uncertainties exist as to future development and implementation of new technologies.
- Changes in accounting policies and methods may affect how the Company's financial condition is reported.
- Uncertainties, such as potential breaches of contract (i.e., property agreements), could result in significant loss.

## Dividends

Sona has no earnings or dividend record and is unlikely to pay any dividends in the foreseeable future, as it intends to use available funds for mineral exploration and development. Any future determination to pay dividends will be at the discretion of the Board of Directors of Sona, and will depend on the Company's financial condition, results of operations, capital requirements and such other factors as the Board of Directors deems relevant.

## Related Party Transactions

Details of the transactions between the Company and related parties are disclosed below:

### Trading Transactions

The Company paid consulting fees to a private company controlled by an officer of the Company for consulting services. The total amount paid during the nine months ended September 30, 2011 was \$60,000 (September 30, 2010 - \$45,000) which has been included in professional fees. The Company incurred these fees in the normal course of operations.

### Compensation of Key Management Personnel

Key management personnel includes directors (executive and non-executive) and other key officers of the Company, including the CEO, CFO and Executive Chairman. The compensation paid or payable to key management personnel for employee services during the nine months ended September 30, 2011 and 2010 was as follows:

	Note	September 30, 2011	September 30, 2010
Wages	(i)	\$ 225,000	\$ 255,000
Share-based compensation	(ii)	852,633	58,206
<b>Total compensation</b>		<b>\$ 1,077,633</b>	<b>\$ 313,206</b>

- (i) Consists of wages paid to the Executive Chairman and CEO and President of the Company.
- (ii) Share-based payments are the fair value of options granted and vested to key management personnel.
- (iii) Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the nine months ended September 30, 2011 and 2010.

### Principal Subsidiaries

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, the most significant of which is No. 75 Corporate Ventures Inc. as it holds title to all three of the Company's active exploration projects.

## Nature of the Securities

The purchase of the Company's securities involves a high degree of risk and should be only undertaken by investors whose financial resources are sufficient to enable them to assume such risks. The Company's securities should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in the Company's securities should not constitute a major portion of an investor's portfolio.

## Proposed Transactions

Currently, there are no proposed transactions that are required to be disclosed.

## Additional Disclosure for Venture Issuers Without Significant Revenue

Additional disclosure concerning Sona's general and administrative expenses and mineral property costs is provided in the Company's consolidated statements of financial position and consolidated statements of loss and comprehensive loss, contained in its audited financial statements for the years ended December 31, 2010 and 2009, available on its website at [www.sonaresources.com](http://www.sonaresources.com) or on its SEDAR page site, accessed through [www.sedar.com](http://www.sedar.com).

### Outstanding Share Data

Sona's authorized capital is unlimited common shares without par value. As at November 24, 2011, the following common shares, options and share purchase warrants were outstanding:

	No. of shares	Exercise price	Expiry date
Issued and Outstanding Common Shares at November 24, 2011	22,909,058	N/A	N/A
Employee stock options	120,000 255,000 180,000 840,000 780,000	\$0.70 \$0.60 \$0.60 \$0.60 \$1.40	March 23, 2013 November 16, 2019 December 1, 2019 December 11, 2019 January 19, 2021
Share purchase warrants	2,228,200 770,000 1,311,450 164,750 117,000 428,571	\$0.90 \$1.25 \$1.50 \$1.50 \$1.50 \$0.85 or \$1.00	July 29, 2012 October 15, 2012 December 22, 2012 January 18, 2013 March 15, 2013 November 9, 2013
Agents' and finders' warrants	2,256 39,692 209,832 24,560 13,600 68,571	\$0.90 \$1.25 \$1.10 \$1.10 \$1.10 \$0.85 or \$1.00	July 29, 2012 October 15, 2012 December 22, 2012 January 18, 2013 March 15, 2013 November 9, 2013
Fully diluted at November 24, 2011	<u>30,462,540</u>		

### Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements as at September 30, 2011, or as at the date hereof.

### Financial Instruments

#### Fair Value

The Company has classified its cash and cash equivalents as loans and receivables. Accounts payable and accrued liabilities are classified as borrowings and other financial liabilities. As of September 30, 2011, the statement of financial position carrying amounts of these financial instruments closely approximate their fair values.

The Company classifies financial instruments recognized at fair value in accordance with a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

**Level 1** – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

**Level 2** – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

**Level 3** – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

*The following provides a comparison of carrying values of each classification of financial instruments as at September 30, 2011 and December 31, 2010:*

	September 30, 2011	December 31, 2010
Loans and receivables	\$ 243,991	\$ 2,924,286
Borrowings and other financial liabilities	\$ 895,210	\$ 190,728

### **Financial Risk Management**

The Company's activities expose it to a variety of financial risks including credit risk, liquidity risk, market price risks and currency risk.

#### Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and accounts receivable. The Company deposits its cash and cash equivalents with high credit quality major Canadian financial institutions as determined by ratings agencies, with original maturities of less than 90 days. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the maximum exposure to credit risk.

#### Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company attempts to manage liquidity risk by maintaining sufficient cash and cash equivalent balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. As of September 30, 2011, the Company had a cash balance of \$243,991 (December 31, 2010 - \$2,924,286) to settle current liabilities of \$895,210 (December 31, 2010 - \$190,728). Further information relating to liquidity risk is disclosed in the Note 1 and Note 17 of the condensed consolidated interim financial statements for the nine months ended September 30, 2011.

#### Market Price Risks

The only significant market price risk to which the Company is exposed to is interest rate risk. The Company's bank account earns interest at variable rates. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates. The Company's future interest income is exposed to changes in short-term rates.

#### Currency Risk

The majority of the Company's cash and cash equivalents are held in Canada in Canadian dollars. The Company's significant operations are carried out in Canada. The portion of the Company's cash denominated in United States dollars was insignificant and the sensitivity to gains or losses arising from changes in the Canadian/US dollar exchange rate was minimal.

#### Sensitivity Analysis

At September 30, 2011 the Company's exposure to foreign currency risk was through the following monetary assets denominated in US dollars:

	USD
Cash	\$ 2,274
Other assets	\$ 18,434

Based on the above net exposures at September 30, 2011, and assuming that all other variables remain constant, a 10% change in value of the US dollar against the Canadian dollar would result in an increase/decrease of \$2,071, in the net loss for the period.

## Management of Capital

The Company considers its capital to consist of its equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support exploration and development of mineral properties. The Board of Directors has not established quantitative capital structure criteria management, but will review on a regular basis the capital structure of the Company to ensure its appropriateness to the stage of development of the business.

The Company's objectives when managing capital are:

- To maintain and safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds, to support continued evaluation and maintenance at the Company's existing properties, and to acquire, explore, and develop other precious and base metal deposits.
- To invest cash on hand in highly liquid and highly rated financial instruments with high credit quality issuers, thereby minimizing the risk and loss of principal.
- To obtain the necessary financing to complete exploration and development of its properties, if and when it is required.

The properties in which the Company currently holds an interest in are in the exploration stage and the Company is dependent on external financing to fund its activities. In order to carry out planned exploration and development and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

In order to facilitate the management of capital and development of its mineral properties, the Company prepares annual expenditure budgets, which are updated as necessary and are reviewed and approved by the Company's Board of Directors. In addition, the Company may issue new equity, incur additional debt, option its mineral properties for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, or dispose of certain assets. When applicable, the Company's investment policy is to hold cash in interest bearing accounts at high credit quality financial institutions to maximize liquidity. In order to maximize ongoing development efforts, the Company does not pay dividends.

There were no changes in the Company's approach to capital management during the nine months ended September 30, 2011 compared to the year ended December 31, 2010. The Company is not subject to externally imposed capital requirements.

## Critical Accounting Estimates

The preparation of the Company's financial statements is in conformity with IFRS, and requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenditures for the reporting period. Significant areas requiring use of management estimates relate to the assessment of impairment and the useful life of mineral properties, plant and equipment, site restoration costs, valuation of amounts receivable and future income taxes, assumptions used in determining the fair value of non-cash stock-based compensation and amounts recorded as accrued liabilities. Therefore, actual results could differ from these estimates.

The accounting estimates believed to require the most difficult, subjective or complex judgements, and which are the most critical to our reporting of results of operations and financial position, are as follows:

### **Impairment of long-lived assets**

Non-current assets are evaluated at least annually by management for indicators that the carrying value is impaired and may not be recoverable. When indicators of impairment are present, the recoverable amount of an asset is evaluated at

the level of a cash generating unit (CGU), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in income to the extent that the carrying amount exceeds the recoverable amount.

In calculating the recoverable amount the Company uses discounted cash flow techniques to determine fair value when it is not possible to determine fair value either by quotes from an active market or a binding sales agreement. The determination of discounted cash flows is dependent on a number of factors, including future metal prices, the amount of reserves, the cost of bringing the project into production, production schedules, production costs, sustaining capital expenditures, and site closure, restoration and environmental rehabilitation costs. Additionally, the reviews take into account factors such as political, social and legal and environmental regulations. These factors may change due to changing economic conditions or the accuracy of certain assumptions and, hence, affect the recoverable amount. The Company uses its best efforts to fully understand all of the aforementioned to make an informed decision based upon historical and current facts surrounding the projects. Discounted cash flow techniques often require management to make estimates and assumptions concerning reserves and expected future production revenues and expenses.

### **Restoration Provision**

The Company records a liability based on the best estimate of costs for restoration activities that the Company is legally or constructively required to remediate and recognizes the liability when those obligations result from the acquisition, construction, development or normal operations of assets. Restoration provisions are measured at the present value of the expected expenditures required to settle the obligation using a pre-tax discount rate reflecting the time value of money and risks specific to the liability. The liability is increased for the passage of time and adjusted for changes to the current market-based risk-free discount rate, and the amount of or timing of the underlying cash flows needed to settle the obligation. The associated restoration costs are capitalized as part of the carrying amount of the related non-current asset and amortized into income on a systematic basis over the expected useful life of the asset.

### **Share-Based Payments**

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The offset to the recorded cost is to share-based payments reserve. Consideration received on the exercise of stock options is recorded as share capital and the related share-based payments reserve is transferred to share capital. When stock options are forfeited prior to becoming fully vested, any expense previously recorded is reversed through income.

### **Income Taxes**

The Company uses the balance sheet method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

## **Recent Developments and Outlook**

The Company expects to obtain financing in the future, primarily through further equity financing, as well as through joint venturing and/or optioning out its properties to qualified mineral exploration companies. There can be no assurance that the Company will succeed in obtaining additional financing, now or in the future. Failure to raise additional financing on a timely basis could cause the Company to suspend its operations, and eventually to forfeit or sell its interest in its resource properties.

## **Corporate Governance**

The Board of Directors of Sona consists of seven directors, five of whom are considered independent.

## Forward-Looking Statements

The Company's condensed consolidated interim financial statements for the nine months ended September 30, 2011 and this accompanying MD&A contain certain statements that may be deemed "forward-looking statements". All statements in this document, other than statements of historical fact, that address events or developments that the Company expects to occur, are forward looking statements. Forward looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential", "interprets" and similar expressions, or that events or conditions "will", "would", "may", "could" or "should" occur. Forward-looking statements in this document include statements regarding future exploration programs and joint venture partner participation, liquidity and effects of accounting policy changes. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results may differ materially from those in forward-looking statements. Factors that could cause the actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration success, continued availability of capital and financing, inability to obtain required regulatory or governmental approvals and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements. Forward looking statements are based on the beliefs, estimates and opinions of the Company's management on the date the statements are made. The Company undertakes no obligation to update these forward-looking statements in the event that management's beliefs, estimates or opinions, or other factors, should change except as required by law.

These statements are based on a number of assumptions, including, among others, assumptions regarding general business and economic conditions, the timing of the receipt of regulatory and governmental approvals for the transactions described herein, the ability of Sona and other relevant parties to satisfy stock exchange and other regulatory requirements in a timely manner, the availability of financing for Sona's proposed transactions and exploration and development programs on reasonable terms and the ability of third-party service providers to deliver services in a timely manner. The foregoing list of assumptions is not exhaustive. Events or circumstances could cause results to differ materially.

## Approval

The Board of Directors of Sona Resources Corp. has approved the disclosure contained in this interim MD&A. A copy of this interim MD&A will be provided to anyone who requests it.

### **Additional information**

Additional information relating to Sona Resources Corp. can be obtained on the SEDAR website at [www.sedar.com](http://www.sedar.com) or by contacting:

Sona Resources Corp.  
Attention: John P. Thompson, President and Chief Executive Officer  
Suite 802-1166 Alberni Street  
Vancouver, BC CANADA V6E 3Z3  
Tel: (604) 684-6677  
Fax: (604) 684-6678  
Website: [www.sonaresources.com](http://www.sonaresources.com)  
Email: [ir@sonaresources.com](mailto:ir@sonaresources.com)

**SONA RESOURCES CORP.**  
/s/ "John P. Thompson"  
John P. Thompson  
President and Chief Executive Officer

**SONA RESOURCES CORP.**  
/s/ "Wayne Cahill"  
Wayne Cahill  
Chief Financial Officer

# **SONA RESOURCES CORP.**

(formerly J-Pacific Gold Inc.)

(An Exploration Stage Company)

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## **CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011**

*Unaudited – Prepared by Management*

*(Stated in Canadian Funds Unless Noted Otherwise)*

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### **NOTICE TO READER**

The attached condensed consolidated interim financial report has been prepared by and is the responsibility of the Company's management and has been approved by the Board of Directors of the Company. The Company's independent auditor has not performed a review of this condensed consolidated interim financial report.

**SONA RESOURCES CORP.**  
**(formerly J-Pacific Gold Inc.)**  
**(An Exploration Stage Company)**  
**Condensed Consolidated Interim Statements of Financial Position**  
*Unaudited – Prepared by Management*  
*(Stated in Canadian Funds Unless Noted Otherwise)*

	As at September 30, 2011	As at December 31, 2010
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 243,991	\$ 2,924,286
Sales tax receivable	306,246	83,635
Investment tax credits recoverable (Note 5)	71,118	71,118
Prepaid expenses	9,700	29,972
	<b>631,055</b>	3,109,011
<b>Non-current assets:</b>		
Exploration and evaluation assets (Note 6)	12,040,785	9,245,340
Property, plant and equipment (Note 7)	2,441,056	2,365,484
Other assets (Note 8)	151,823	161,178
Office facilities and equipment (Note 9)	25,788	30,239
<b>Total Assets</b>	<b>\$ 15,290,507</b>	<b>\$ 14,911,252</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$ 895,210	\$ 190,728
<b>Non-current liabilities:</b>		
Restoration provision (Note 10)	394,020	355,102
<b>Total Liabilities</b>	<b>1,289,230</b>	<b>545,830</b>
<b>Equity:</b>		
Share capital (Note 11a)	31,416,379	30,885,702
Share-based payments reserve (Note 11c and 11d)	4,664,037	3,629,341
Deficit	(22,079,139)	(20,149,621)
<b>Total Equity</b>	<b>14,001,277</b>	<b>14,365,422</b>
<b>Total Liabilities and Equity</b>	<b>\$ 15,290,507</b>	<b>\$ 14,911,252</b>

**Nature of Operations and Going Concern** (Note 1)  
**Commitments** (Notes 11e and 13)  
**Subsequent Events** (Note 17)

Approved on behalf of the Board of Directors:

“Nick Ferris”  
 Director

“D’Arcy Adam”  
 Director

- See Accompanying Notes to the Condensed Consolidated Interim Financial Statements -

# SONA RESOURCES CORP.

(formerly J-Pacific Gold Inc.)

(An Exploration Stage Company)

## Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

Unaudited – Prepared by Management

(Stated in Canadian Funds Unless Noted Otherwise)

	For the three months ended September 30, 2011	For the three months ended September 30, 2010	For the nine months ended September 30, 2011	For the nine months ended September 30, 2010
<b>Expenses</b>				
Accounting and legal	\$ 13,456	\$ 9,648	\$ 111,451	\$ 72,087
Amortization	1,464	2,098	4,451	6,450
Bank charges and interest	2,028	1,115	5,176	3,247
Exploration and evaluation maintenance	6,053	-	16,911	46,992
Office and administration	43,577	84,652	192,273	286,503
Professional fees (Note 16a)	34,501	69,139	126,369	117,980
Regulatory fees	5,217	4,687	18,699	25,119
Rent	24,139	22,429	70,202	61,896
Share-based payments (Note 11c)	38,359	25,857	996,801	104,436
Travel	25,673	49,502	80,138	103,895
Wages	69,569	199,540	311,934	391,967
<b>Loss from operations</b>	<b>(264,036)</b>	<b>(468,667)</b>	<b>(1,934,405)</b>	<b>(1,220,572)</b>
<b>Finance Income (Expense):</b>				
Accretion on restoration provision	(2,744)	(1,349)	(8,346)	(4,295)
Interest income	12,374	10	11,814	840
Foreign exchange gain (loss)	3,059	(1,202)	1,419	(850)
	12,689	(2,541)	4,887	(4,305)
<b>Net Loss and Comprehensive Loss for the Period</b>	<b>\$ (251,347)</b>	<b>\$ (471,208)</b>	<b>\$ (1,929,518)</b>	<b>\$ (1,224,877)</b>
<b>Basic and Diluted Loss per Common Share</b>	<b>\$ (0.01)</b>	<b>\$ (0.03)</b>	<b>\$ (0.09)</b>	<b>\$ (0.08)</b>
<b>Weighted Average Number of Common Shares Outstanding</b>	<b>22,017,631</b>	<b>16,639,176</b>	<b>21,932,477</b>	<b>15,627,543</b>

- See Accompanying Notes to the Condensed Consolidated Interim Financial Statements -

# SONA RESOURCES CORP.

(formerly J-Pacific Gold Inc.)

(An Exploration Stage Company)

## Condensed Consolidated Interim Statements of Changes in Equity

Unaudited – Prepared by Management

(Stated in Canadian Funds Unless Noted Otherwise)

	SHARE CAPITAL		SHARE-BASED	DEFICIT	TOTAL
	SHARES	AMOUNT	PAYMENTS RESERVE		
<b>Balance – January 1, 2010</b>	<b>15,113,339</b>	<b>\$ 26,055,784</b>	<b>\$ 3,320,347</b>	<b>\$ (18,449,891)</b>	<b>\$ 10,926,240</b>
Share-based payments	-	-	32,951	-	32,951
Net loss for the three month period	-	-	-	(329,000)	(329,000)
<b>Balance – March 31, 2010</b>	<b>15,113,339</b>	<b>26,055,784</b>	<b>3,353,298</b>	<b>(18,778,891)</b>	<b>10,630,191</b>
Share-based payments	-	-	45,628	-	45,628
Net loss for the three month period	-	-	-	(424,669)	(424,669)
<b>Balance – June 30, 2010</b>	<b>15,113,339</b>	<b>26,055,784</b>	<b>3,398,926</b>	<b>(19,203,560)</b>	<b>10,251,150</b>
Private placement	2,228,200	1,225,510	-	-	1,225,510
Share issuance costs	-	(8,241)	-	-	(8,241)
Share-based payments	-	-	25,857	-	25,857
Net loss for the three month period	-	-	-	(471,208)	(471,208)
<b>Balance – September 30, 2010</b>	<b>17,341,539</b>	<b>27,273,053</b>	<b>3,424,783</b>	<b>(19,674,768)</b>	<b>11,023,068</b>
Private placements	3,392,900	3,705,790	188,906	-	3,894,696
Finders' units	39,692	25,800	-	-	25,800
Share issuance costs	-	(526,941)	-	-	(526,941)
Warrants exercised	680,000	408,000	-	-	408,000
Share-based payments	-	-	15,652	-	15,652
Net loss for the three month period	-	-	-	(474,853)	(474,853)
<b>Balance – December 31, 2010</b>	<b>21,454,131</b>	<b>30,885,702</b>	<b>3,629,341</b>	<b>(20,149,621)</b>	<b>14,365,422</b>
Private placements	563,500	619,850	-	-	619,850
Fair value of finders' and agent warrants	-	-	37,895	-	37,895
Share issuance costs	-	(89,173)	-	-	(89,173)
Share-based payments	-	-	897,322	-	897,322
Net loss for the three month period	-	-	-	(1,259,689)	(1,259,689)
<b>Balance – March 31, 2011</b>	<b>22,017,631</b>	<b>31,416,379</b>	<b>4,564,558</b>	<b>(21,409,310)</b>	<b>14,571,627</b>
Share-based payments	-	-	61,120	-	61,120
Net loss for the three month period	-	-	-	(418,482)	(418,482)
<b>Balance – June 30, 2011</b>	<b>22,017,631</b>	<b>\$ 31,416,379</b>	<b>\$ 4,625,678</b>	<b>\$ (21,827,792)</b>	<b>\$ 14,214,265</b>
Share-based payments	-	-	38,359	-	38,359
Net loss for the three month period	-	-	-	(251,347)	(251,347)
<b>Balance – September 30, 2011</b>	<b>22,017,631</b>	<b>31,416,379</b>	<b>4,664,037</b>	<b>(22,079,139)</b>	<b>14,001,277</b>

- See Accompanying Notes to the Condensed Consolidated Interim Financial Statements -

# SONA RESOURCES CORP.

(formerly J-Pacific Gold Inc.)

(An Exploration Stage Company)

## Condensed Consolidated Interim Statements of Cash Flows

Unaudited – Prepared by Management

(Stated in Canadian Funds Unless Noted Otherwise)

	For the nine months ended September 30, 2011	For the nine months ended September 30, 2010
<b>Cash Flows from Operating Activities</b>		
Net loss for the period	\$ (1,929,518)	\$ (1,224,877)
Items not affected by cash:		
Restoration accretion and amortization	12,797	10,745
Share-based payments	996,801	104,436
	<b>(919,920)</b>	<b>(1,109,696)</b>
Changes in non-cash working capital:		
Sales taxes receivable	(222,611)	(74,679)
Prepaid expenses	20,272	(13,533)
Accounts payable and accrued liabilities	(18,053)	(94,580)
	<b>(1,140,312)</b>	<b>(1,292,488)</b>
<b>Cash Flows from Investing Activities</b>		
Office facilities and equipment	-	(6,720)
Property, plant and equipment	(45,000)	-
Exploration and evaluation assets	(2,072,910)	(948,845)
Investment tax credits received	-	156,795
Other assets	9,355	10,588
	<b>(2,108,555)</b>	<b>(788,182)</b>
<b>Cash Flows from Financing Activities</b>		
Issuance of share capital and share purchase warrants, net	568,572	1,217,269
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(2,680,295)</b>	<b>(863,401)</b>
<b>Cash and Cash Equivalents- Beginning of the Period</b>	<b>2,924,286</b>	<b>1,159,484</b>
<b>Cash and Cash Equivalents - End of the Period</b>	<b>\$ 243,991</b>	<b>\$ 296,083</b>
<b>Supplemental Schedule of Non-Cash Investing and Financing Activities</b>		
Accounts payable and accrued liabilities included in exploration and evaluation assets	\$ 771,278	\$ 146,165
Restoration provision increase in property, plant and equipment	\$ 30,572	\$ 14,149

- See Accompanying Notes to the Condensed Consolidated Interim Financial Statements -

**Sona Resources Corp.**  
**(formerly J-Pacific Gold Inc.)**  
**(An Exploration Stage Company)**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
*Unaudited – Prepared by Management*  
*(Stated in Canadian Funds Unless Noted Otherwise)*

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**1 NATURE OF OPERATIONS AND GOING CONCERN**

Sona Resources Corp. (the “Company” or “Sona”) is an exploration stage enterprise focusing on the acquisition, exploration and development of economic gold and other precious and base metal properties. Currently, the Company is focused on bringing its 100% owned mineral property, the Blackdome Gold Mine, and the Elizabeth Gold Property, to production.

Sona is a publicly listed company incorporated in Canada on February 8, 1990 under the name Claimstaker Resources Ltd. with limited liability under the laws of British Columbia. On September 5, 2001, the Company changed its name to J-Pacific Gold Inc. The Company is listed on the TSX Venture Exchange (“TSX.V”) under the symbol “SYS” and on the Frankfurt Stock Exchange under the symbol “QS7”. On January 27, 2010, the Company changed its name from J-Pacific Gold Inc. to Sona Resources Corp. and consolidated its share capital, stock options and warrants on a five-to-one basis. These statements reflect the share consolidation.

The head office, principal address and records office of the Company are located at Suite 802 – 1166 Alberni Street, Vancouver, British Columbia, Canada, V6E 3Z3.

While these condensed consolidated interim financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its commitments, continue operations and realize its assets and discharge its liabilities in the normal course of business for the foreseeable future, the Company will need to raise sufficient funds in order to finance ongoing exploration and administrative expenses. The Company has no assurance that such financing will be available or be available on favourable terms. Factors that could affect the availability of financing include the Company’s performance, the state of international debt and equity markets, investor perceptions and expectations and the global financial and metals markets. If successful, the Company would obtain additional financing through, but not limited to, the issuance of additional equity.

These condensed consolidated interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

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**2 SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation and Adoption of International Financial Reporting Standards (“IFRS”)**

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants (“CICA Handbook”). In 2010, the CICA Handbook was revised to incorporate IFRS, and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these condensed consolidated interim financial statements. In these condensed consolidated interim financial statements, the term “Canadian GAAP” refers to Canadian GAAP before the adoption of IFRS.

These condensed consolidated interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34 and IFRS 1. Subject to certain transition elections disclosed in Note 4, the Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 4 discloses the impact of the transition to IFRS on the Company’s reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company’s consolidated financial statements for the year ended December 31, 2010.

These condensed consolidated interim financial statements follow the same accounting policies and methods of application as the Company’s condensed consolidated interim financial statements for the three months ended March 31, 2011. The policies applied in these condensed consolidated interim financial statements are based on IFRS issued and outstanding as of November 24, 2011, the date the Board of Directors approved these statements. Any subsequent changes to IFRS that are given effect in the Company’s annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these consolidated interim financial statements, including the transition adjustments recognized on change-over to IFRS.

The condensed consolidated interim financial statements should be read in conjunction with the Company’s Canadian GAAP annual financial statements for the year ended December 31, 2010 and the Company’s condensed consolidated interim financial statements for the three months ended March 31, 2011 prepared in accordance with IFRS applicable to interim financial statements.

# Sona Resources Corp.

(formerly J-Pacific Gold Inc.)

(An Exploration Stage Company)

## Notes to the Condensed Consolidated Interim Financial Statements

Unaudited – Prepared by Management

(Stated in Canadian Funds Unless Noted Otherwise)

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### 3 NEW IFRS PRONOUNCEMENTS

#### a) Financial Instruments

In November 2009, the International Accounting Standards Board (“IASB”) issued IFRS 9, Financial Instruments, which addresses the classification and measurement of financial assets as the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement. Requirements for financial liabilities were added in October 2010. IFRS 9 must be applied starting January 1, 2013, with early adoption permitted. The Company has not early adopted IFRS 9 and is currently assessing the impact of this standard on its consolidated financial statements.

#### b) Consolidated Financial Statements

In May 2011, the IASB issued IFRS 10, Consolidated Financial Statements and IFRS 12, Disclosure of Interests in Other Entities. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This IFRS defines the principle of control and establishes control as the basis for determining which entities are consolidated in an entity’s consolidated financial statements. IFRS 10 sets out three elements of control: a) power over the investee; b) exposure, or rights, to variable returns from involvement with the investee; and c) the ability to use power over the investee to affect the amount of the investors return. IFRS 10 sets out the requirements on how to apply the control principle. IFRS 12 outlines disclosure requirements for interests in subsidiaries and other entities to enable users to evaluate the risks associated with interests in other entities and the effects of those interests on an entity’s financial position, financial performance and cash flows. IFRS 10 and IFRS 12 supersede IAS 27, Consolidated and Separate Financial Statements and SIC-12, Consolidation – Special Purpose Entities.

IFRS 10 and IFRS 12 are effective for annual periods beginning on or after January 1, 2013, with earlier application permitted if adopted along with IFRS 11, IFRS 12, IAS 27 (revised) and IAS 28 (revised). The Company has not early adopted IFRS 10 and IFRS 12 and is currently assessing the impact of these standards on its consolidated financial statements.

#### c) Fair Value Measurement

In May 2011, the IASB issued IFRS 13, Fair Value Measurement. This standard defines fair value, sets out a single IFRS framework for measuring fair value and outlines disclosure requirements about fair value measurements. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement so assumptions that market participants would use should be applied in measuring fair value.

IFRS 13 is effective for annual periods on or after January 1, 2013, with earlier application permitted. This IFRS is to be applied prospectively as of the beginning of the annual period in which it is initially applied and the disclosure requirements do not need to be applied in comparative periods before initial application. The Company has not early adopted IFRS 13 and is currently assessing the impact of this standard on its consolidated financial statements.

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### 4 FIRST-TIME ADOPTION OF IFRS

The effect of the Company’s transition to IFRS, described in Note 2 is summarized in this note as follows:

#### a) Mandatory Exemptions and Transition Elections

IFRS 1, which governs the first-time adoption of IFRS, generally requires accounting policies to be applied retrospectively to determine the opening statement of financial position on the Company’s transition date of January 1, 2010 (the “Transition Date”), with the application of certain mandatory exemptions and also allows certain optional exemptions on transition to IFRS. The mandatory exemptions applicable to and the transition elections the Company has chosen, respectively, are as follows:

- (i) **Mandatory Exemptions** - Under IFRS 1, there are four mandatory exemptions from full retrospective application of IFRS. Of these, the only applicable election relates to estimates. An entity’s estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company’s IFRS estimates as at January 1, 2010 are consistent with its previous estimates under Canadian GAAP for the same date.

# Sona Resources Corp.

(formerly J-Pacific Gold Inc.)

(An Exploration Stage Company)

## Notes to the Condensed Consolidated Interim Financial Statements

Unaudited – Prepared by Management

(Stated in Canadian Funds Unless Noted Otherwise)

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### 4 FIRST-TIME ADOPTION OF IFRS – *Continued*

#### a) Mandatory Exemptions and Transition Elections - *Continued*

- (ii) **Business Combinations** – IFRS 1 provides the option to apply IFRS 3R, *Business Combinations*, retrospectively or prospectively from January 1, 2010 (“Transition Date”). The retrospective basis would require the restatement of prior acquisitions that meet the definition of a business combination under IFRS 3R. The Company has elected to not restate previous business combinations that occurred before January 1, 2010.
- (iii) **Share-based Payments** – IFRS 1 provides the option to not apply IFRS 2, *Share-based Payments*, to equity instruments granted after November 7, 2002 and vested before the Transition Date. The Company has elected to take the exemption and, as a result, was only required to recalculate the impact on any share-based payments that had not vested at the Transition Date.
- (iv) **Decommissioning Liabilities included in the cost of property, plant and equipment** – IFRS 1 provides the option to measure restoration provisions at the Transition Date in accordance with the requirements under IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, and estimate the amount to be included in the cost of the related asset by discounting the liability to the date at which the liability first arose. The Company did this using the best estimate of historical risk-free discount rates. As the related asset has not been used, there was no amortization calculated under IFRS at the Transition Date.

#### b) Reconciliation of Previously Reported Financial Statements

Reconciliations of the IFRS adjustments on transition are included in these following Statements of Financial Position and Statements of Loss and Comprehensive Loss for the dates noted below.

- Condensed Consolidated Interim Statement of Financial Position Reconciliation – September 30, 2010
- Condensed Consolidated Interim Statement of Loss and Comprehensive Loss Reconciliation – Three Months Ended September 30, 2010
- Condensed Consolidated Interim Statement of Loss and Comprehensive Loss Reconciliation – Nine Months Ended September 30, 2010

The adoption of IFRS had no impact on the net cash flows of the Company. The transition adjustments made to the Statements of Financial Position and Statements of Loss and Comprehensive Loss have resulted in reclassification of various amounts on the Statement of Cash Flows; however, as there have been no changes to the net cash flows, no reconciliations have been prepared.

# Sona Resources Corp.

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## Notes to the Condensed Consolidated Interim Financial Statements

Unaudited – Prepared by Management

(Stated in Canadian Funds Unless Noted Otherwise)

### 4 FIRST-TIME ADOPTION OF IFRS – Continued

#### b) Reconciliation of Previously Reported Financial Statements – Continued

The September 30, 2010 Canadian GAAP Condensed Consolidated Interim Statement of Financial Position has been reconciled to IFRS as follows:

	September 30, 2010			
	Note	Canadian GAAP	Effect of Transition to IFRS	IFRS
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and cash equivalents		\$ 296,083	\$ -	\$ 296,083
Sales tax receivable		101,302	-	101,302
Investment tax credits recoverable		95,427	-	95,427
Prepaid expenses		13,533	-	13,533
		506,345	-	506,345
<b>Non-current assets:</b>				
Exploration and evaluation assets		8,507,252	-	8,507,252
Property, plant and equipment	4(b)(i)	2,193,152	22,346	2,215,498
Other assets		162,170	-	162,170
Other facilities and equipment		31,445	-	31,445
<b>Total Assets</b>		\$ 11,400,364	\$ 22,346	\$ 11,422,710
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued liabilities		\$ 215,464	\$ -	\$ 215,464
<b>Non-current liabilities:</b>				
Restoration provision	4(b)(i)	138,760	45,418	184,178
<b>Total Liabilities</b>		354,224	45,418	399,642
<b>Equity:</b>				
Share capital		27,273,053	-	27,273,053
Share-based payments reserve	4(b)(ii)	3,368,823	55,960	3,424,783
Deficit	4(b)(i)-(ii)	(19,595,736)	(79,032)	(19,674,768)
<b>Total Equity</b>		11,046,140	(23,072)	11,023,068
<b>Total Liabilities and Equity</b>		\$ 11,400,364	\$ 22,346	\$ 11,422,710

# Sona Resources Corp.

(formerly J-Pacific Gold Inc.)

(An Exploration Stage Company)

## Notes to the Condensed Consolidated Interim Financial Statements

Unaudited – Prepared by Management

(Stated in Canadian Funds Unless Noted Otherwise)

### 4 FIRST-TIME ADOPTION OF IFRS – Continued

#### b) Reconciliation of Previously Reported Financial Statements – Continued

The Canadian GAAP Condensed Consolidated Interim Statement of Loss and Comprehensive Loss for the three month period ended September 30, 2010 has been reconciled to IFRS as follows:

	Note	Three Months Ended September 30, 2010		
		Canadian GAAP	Effect of Transition to IFRS	IFRS
<b>Expenses</b>				
Accounting and legal		\$ 9,648	\$ -	\$ 9,648
Amortization		2,098	-	2,098
Bank charges and interests		1,115	-	1,115
Office and administration		84,652	-	84,652
Professional fees		69,139	-	69,139
Regulatory fees		4,687	-	4,687
Rent		22,429	-	22,429
Share-based payments	4(b)(ii)	12,961	12,896	25,857
Travel		49,502	-	49,502
Wages		199,540	-	199,540
<b>Loss from operations</b>		<b>(455,771)</b>	<b>(12,896)</b>	<b>(468,667)</b>
<b>Finance Income (Expense):</b>				
Restoration accretion	4(b)(i)	(2,925)	1,576	(1,349)
Interest income		10	-	10
Foreign exchange loss		(1,202)	-	(1,202)
		<b>(4,117)</b>	<b>1,576</b>	<b>(2,541)</b>
<b>Net loss and comprehensive loss for the period</b>		<b>\$ (459,888)</b>	<b>\$ (11,320)</b>	<b>\$ (471,208)</b>
<b>Weighted average number of shares outstanding</b>		<b>16,639,176</b>		<b>16,639,176</b>
<b>Basic and diluted loss per share</b>		<b>\$ (0.03)</b>	<b>\$</b>	<b>(0.03)</b>

# Sona Resources Corp.

(formerly J-Pacific Gold Inc.)

(An Exploration Stage Company)

## Notes to the Condensed Consolidated Interim Financial Statements

Unaudited – Prepared by Management

(Stated in Canadian Funds Unless Noted Otherwise)

### 4 FIRST-TIME ADOPTION OF IFRS – Continued

#### b) Reconciliation of Previously Reported Financial Statements – Continued

The Canadian GAAP Condensed Consolidated Interim Statement of Loss and Comprehensive Loss for the nine month period ended September 30, 2010 has been reconciled to IFRS as follows:

	Nine Months Ended September 30, 2010			
	Note	Canadian GAAP	Effect of Transition to IFRS	IFRS
<b>Expenses</b>				
Accounting and legal		\$ 72,087	\$ -	\$ 72,087
Amortization		6,450	-	6,450
Bank charges and interests		3,247	-	3,247
Office and administration		333,495	-	333,495
Professional fees		117,980	-	117,980
Regulatory fees		25,119	-	25,119
Rent		61,896	-	61,896
Share-based payments	4(b)(ii)	60,446	43,990	104,436
Travel		103,895	-	103,895
Wages		391,967	-	391,967
<b>Loss from operations</b>		<b>(1,176,582)</b>	<b>(43,990)</b>	<b>(1,220,572)</b>
<b>Finance Income (Expense):</b>				
Restoration accretion	4(b)(i)	(8,774)	4,479	(4,295)
Interest income		840	-	840
Foreign exchange loss		(850)	-	(850)
		<b>(8,784)</b>	<b>4,479</b>	<b>(4,305)</b>
<b>Net loss and comprehensive loss for the period</b>		<b>\$ (1,185,366)</b>	<b>\$ (39,511)</b>	<b>\$ (1,224,877)</b>
<b>Weighted average number of shares outstanding</b>		<b>15,627,543</b>		<b>15,627,543</b>
<b>Basic and diluted loss per share</b>		<b>\$ (0.08)</b>	<b>\$</b>	<b>(0.08)</b>

# Sona Resources Corp.

(formerly J-Pacific Gold Inc.)

(An Exploration Stage Company)

## Notes to the Condensed Consolidated Interim Financial Statements

Unaudited – Prepared by Management

(Stated in Canadian Funds Unless Noted Otherwise)

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### 4 FIRST-TIME ADOPTION OF IFRS – Continued

#### b) Reconciliation of Previously Reported Financial Statements – Continued

##### Notes to the reconciliations of previously reported financial statements:

##### (i) IAS 37 – Provisions, Contingent Liabilities and Contingent Assets

Under Canadian GAAP, asset retirement obligations are measured at fair value, incorporating market assumptions and discount rates based on the Company's credit-adjusted risk-free rate. Adjustments are made to asset retirement obligations for changes in the timing or amount of the cash flows and the unwinding of the discount.

Under IFRS, restoration provisions are measured at the present value of the expected expenditures required to settle the obligation using a pre-tax discount rate reflecting the time value of money and risks specific to the liability. The liability is increased for the passage of time and adjusted for changes to the current market-based risk-free discount rate, and the amount or timing of the underlying cash flows needed to settle the obligation. The associated restoration costs are capitalized as part of the carrying amount of the related long-lived asset and amortized using the unit-of-production method based on estimated proven and probable ore reserves upon commencement of production.

The Company elected to apply the exemption from full retrospective application as allowed under IFRS 1. As such, the Company re-measured the restoration provision as of the Transition Date under IAS 37 and estimated the amount to be included in the related asset by discounting the liability to the date in which the liability arose. This resulted in an increase in the restoration provision of \$35,748 at January 1, 2010, \$45,418 at September 30, 2010 and \$121,331 at December 31, 2010. Accordingly, the increase in the related asset, Property, Plant and Equipment, was \$8,197 at January 1, 2010, \$22,346 at September 30, 2010 and \$107,535 at December 31, 2010 and the adjustment to deficit was \$27,551 at January 1, 2010, \$79,032 at September 30, 2010 and \$13,796 at December 31, 2010.

The increase in the provision from September 30, 2010 to December 31, 2010 is primarily due to a change in the estimated cash flows and a change in the discount rate used to calculate the restoration provision from a credit-adjusted discount rate of 9.00% used under Canadian GAAP compared to the risk-free discount rate of 3.11% used under IAS 37.

In addition, under Canadian GAAP, the unwinding of the discount was disclosed as accretion expense, and has now been reclassified under finance expense as restoration accretion in accordance with IFRS.

##### (ii) IFRS 2 – Share-based Payment and Share-based Payment Reserve

Under Canadian GAAP, the Company calculated the fair value of share-based awards with graded vesting as one grant and used the straight-line method of calculating share-based payments over the vesting period.

Under IFRS, each tranche of a share-based award with different vesting dates was considered a separate grant for the fair value calculation. The resulting fair value of the share-based payment is recognized over the vesting period of the respective tranche using the graded vesting method.

The transition impact was an increase in share-based payments reserve of \$11,970 at January 1, 2010 with the corresponding entry to the deficit. The impact for the three months ended September 30, 2010 was an increase of \$12,896 in share-based payments and for the nine months ended September 30, 2010 the increase in share-based payments was \$43,990.

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# Sona Resources Corp.

(formerly J-Pacific Gold Inc.)

(An Exploration Stage Company)

## Notes to the Condensed Consolidated Interim Financial Statements

Unaudited – Prepared by Management

(Stated in Canadian Funds Unless Noted Otherwise)

### 5 INVESTMENT TAX CREDITS RECOVERABLE

The Company is entitled to apply for certain refundable tax credits in respect to qualifying mining exploration expenses incurred in the provinces of British Columbia and Quebec. At September 30, 2011, there was reasonable assurance that the Company was entitled to approximately \$71,118 (December 31, 2010 - \$71,118) of refundable tax credits for eligible exploration expenditures incurred in the province of British Columbia.

### 6 EXPLORATION AND EVALUATION ASSETS

Cumulative costs incurred by the Company for the acquisition and exploration of its mineral properties for the nine months ended September 30, 2011 are shown below:

September 30, 2011	Elizabeth, Canada	Blackdome, Canada	Montgolfier, Canada	Total
<b><u>Acquisition Costs</u></b>				
Balance, beginning of the period	\$ 205,995	\$ 41,602	\$ 260,000	\$ 507,597
Staking and recording	6,692	444	-	7,136
Option / royalty payments	15,000	-	-	15,000
Balance, end of the period	227,687	42,046	260,000	529,733
<b><u>Deferred Exploration Costs</u></b>				
Incurred during the period:				
Camp	551,802	124,331	-	676,133
Drilling	944,273	416,116	-	1,360,389
Other	291,253	99,464	-	390,717
Underground	45,874	-	-	45,874
Geology	144,699	70,864	-	215,563
Roads	220,537	14,861	-	235,398
Cost recoveries	-	-	(150,765)	(150,765)
Total costs / recoveries incurred during the period	2,198,438	725,636	(150,765)	2,773,309
Balance, beginning of the period	3,752,545	1,764,327	3,220,871	8,737,743
Balance, end of the period	5,950,983	2,489,963	3,070,106	11,511,052
<b>Total Exploration and Evaluation Assets</b>	<b>\$ 6,178,670</b>	<b>\$ 2,532,009</b>	<b>\$ 3,330,106</b>	<b>\$ 12,040,785</b>

# Sona Resources Corp.

(formerly J-Pacific Gold Inc.)

(An Exploration Stage Company)

## Notes to the Condensed Consolidated Interim Financial Statements

Unaudited – Prepared by Management

(Stated in Canadian Funds Unless Noted Otherwise)

### 6 EXPLORATION AND EVALUATION ASSETS – Continued

Cumulative costs incurred by the Company for the acquisition and exploration of its mineral properties for the year ended December 31, 2010 are shown below:

December 31, 2010	Elizabeth, Canada	Blackdome, Canada	Montgolfier, Canada	Total
<b>Acquisition Costs</b>				
Balance, beginning of the year	\$ 190,995	\$ 5,450	\$ 260,000	\$ 456,445
Staking and recording	-	31,717	-	31,717
Option / royalty payments	15,000	4,435	-	19,435
Balance, end of the year	205,995	41,602	260,000	507,597
<b>Deferred Exploration Costs</b>				
Incurred during the year:				
Assaying	69,451	52,407	-	121,858
Camp	176,305	2,745	-	179,050
Development	123,778	8,181	-	131,959
Drilling	412,712	-	-	412,712
Trenching	23,384	-	-	23,384
Other	100,563	44,481	-	145,044
Underground	56,710	-	-	56,710
Geology	291,071	139,268	3,227	433,566
Roads	261,196	29,981	-	291,177
Total costs incurred during the year	1,515,170	277,063	3,227	1,795,460
Balance, beginning of the year	2,237,375	1,487,264	3,217,644	6,942,283
Balance, end of the year	3,752,545	1,764,327	3,220,871	8,737,743
<b>Total Exploration and Evaluation Assets</b>	<b>\$ 3,958,540</b>	<b>\$ 1,805,929</b>	<b>\$ 3,480,871</b>	<b>\$ 9,245,340</b>

#### a) Elizabeth

The Elizabeth Gold Property consists of four Crown-granted claims, the Blue Claim and eighteen additional mineral claims. Collectively, these claims are referred to as the “Elizabeth Project.” The property is a mid-stage exploration project, located roughly 35 kilometers northeast of the former gold mining town of Bralorne and 30 kilometers south of the Blackdome Gold Mine.

#### Crown Grants

On May 23, 2002, the Company entered into an option to purchase the Crown-granted mineral claims known as the “Elizabeth Property” in the Lillooet Mining District of British Columbia, Canada, upon completion of the following:

*Pay the optionor:*

- (i) \$10,000 at signing (paid).
- (ii) \$5,000 on May 23, 2003 (paid).

*Issue to the optionor, subject to TSX Venture approval:*

- (i) 10,000 common shares on signing (issued).
- (ii) 10,000 common shares on May 23, 2003 (issued).
- (iii) 10,000 common shares upon the exercise of the option.
- (iv) 10,000 common shares upon the commencement of production.

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**6 EXPLORATION AND EVALUATION ASSETS – Continued**

**a) Elizabeth – Continued**

*Incur work commitments on the Elizabeth Property of:*

- (i) \$200,000 by December 31, 2003 (incurred).
- (ii) \$150,000 by December 31, 2004 (incurred).
- (iii) \$150,000 by December 31, 2005 (incurred).

The above noted claims are subject to a 4% NSR. The Company has the option to purchase 2% of the NSR for \$1,000,000 per percentage point. Upon commencement of the second anniversary date of this agreement, the Company shall pay Advance Minimum Royalty (“AMR”) payments of \$10,000 per year, which shall be deductible from any NSR production royalties due. As of September 30, 2011, the Company had paid \$80,000 in AMR payments. To complete the purchase, the Company must also complete a bankable-quality feasibility study prepared by an independent and registered engineer.

*Blue Claim*

On May 23, 2002, the Company entered into an option to purchase a mineral claim known as the Blue Claim in the Lillooet Mining District, British Columbia, Canada, upon completion of the following:

*Pay the optionor:*

\$2,000 at signing (paid).

*Issue to the optionor, subject to TSX Venture approval:*

- (i) 4,000 common shares on signing (issued).
- (ii) 6,000 common shares on May 23, 2003 (issued).
- (iii) 10,000 common shares upon the exercise of the option.

*Incur work commitments on the Blue Claim Property of:*

- (i) \$50,000 by December 31, 2003 (incurred).
- (ii) \$150,000 by December 31, 2004 (incurred).
- (iii) \$150,000 by December 31, 2005 (incurred).
- (iv) \$150,000 by December 31, 2006 (incurred).

The above noted claim is subject to a 3% Net Smelter Royalty (“NSR”). The Company has the option to purchase 2% of the NSR for \$1,000,000 per percentage point. Upon commencement of the first anniversary date of this agreement, the Company shall pay Advance Minimum Royalty (“AMR”) payments of \$5,000 per year, which shall be deductible from any NSR production royalties due. At September 30, 2011, the Company had paid \$45,000 in AMR payments. To complete the purchase, the Company must also complete a bankable-quality feasibility study prepared by an independent and registered engineer.

**b) Blackdome**

The former producing Blackdome gold mine (“Blackdome”), acquired in 1995 (then Claimstaker Resources), is an idle permitted mine and milling facility located in southwestern British Columbia, approximately 230 kilometres north of Vancouver and 100 kilometres south of Williams Lake. The 20,664.8-hectare property, comprising of 2 mining leases (988.33 ha), 51 mineral claims (19,507.3 ha) and 10 crown grants (169.19 ha) is situated west of the Fraser River, near the summit of Blackdome Mountain, in the Camelsfoot Mountain Range between 1,760 and 2,050 metres in elevation. The Blackdome South mineral claims, staked in 2002, constitute in excess of 8,600 hectares contiguous to the southern boundary of the Blackdome gold mine claims and are included in the totals described.

The Blackdome gold mine is 100 percent owned by No. 75 Corporate Ventures Ltd., a wholly owned subsidiary of Sona Resources Corp. There are no underlying royalties.

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### 6 EXPLORATION AND EVALUATION ASSETS – Continued

#### c) Montgolfier

On February 12, 2004, the Company entered into an option to purchase 100% of the staked claims and map-designated cells in the Townships of Montgolfier and Orvilliers, Quebec, upon completion of the following:

*Pay the optionor:*

- (i) \$220,000 by February 12, 2007 (paid).

*Issue to the optionor:*

- (i) 10,000 common shares upon closing (issued).

The claims are subject to a 2% NSR. The Company has the option to purchase 1.5% of the NSR for \$1,500,000. During the year ended December 31, 2007, the Company paid \$100,000 to secure the property and take advantage of consolidation opportunities between these claims and other claims in the area staked by the Company.

The Company has also staked additional unpatented mining claims, adjacent to the original mining claims and also staked additional map designated cells.

### 7 PROPERTY, PLANT AND EQUIPMENT

	September 30, 2011	December 31, 2010
Mill	\$ 2,124,469	\$ 2,093,897
Plant and mining equipment	316,587	271,587
	<b>\$ 2,441,056</b>	<b>\$ 2,365,484</b>

No amortization or depletion has been recorded as the property, plant and equipment has not been put in use.

### 8 OTHER ASSETS

Other assets include a letter of credit for a partial indemnification of the Blackdome mine site restoration costs of \$100,000 (December 31, 2010 – \$100,000) and reclamation deposits paid by the Company of \$51,823 (December 31, 2010 – \$61,178) on the Company's mineral exploration properties.

### 9 OFFICE FACILITIES AND EQUIPMENT

			September 30, 2011	
		Cost	Accumulated	Net Book Value
	Amortization Period	\$	Amortization	\$
			\$	\$
Computer hardware	3 years	85,622	(83,458)	2,164
Software	3 years	30,610	(27,265)	3,345
Leasehold improvements	10 years	17,976	(17,041)	935
Office equipment	10 years	57,700	(38,356)	19,344
		<b>191,908</b>	<b>(166,120)</b>	<b>25,788</b>

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### 9 OFFICE FACILITIES AND EQUIPMENT – Continued

	Amortization Period	Cost \$	December 31, 2010	
			Accumulated Amortization \$	Net Book Value \$
Computer hardware	3 years	85,622	(82,542)	3,080
Software	3 years	30,610	(26,169)	4,441
Leasehold improvements	10 years	17,976	(16,919)	1,057
Office equipment	10 years	57,700	(36,039)	21,661
		<b>191,908</b>	<b>(161,669)</b>	<b>30,239</b>

### 10 RESTORATION PROVISION

The Company has recognized a liability related to the Blackdome property and has determined that no significant restoration liabilities exist in connection with the exploration activities on its other mineral exploration properties.

The Company has calculated the fair value of the restoration provision as at September 30, 2011 using a discount rate of 2.15% (December 31, 2010 – 3.11%). The estimated total future undiscounted cash flows to settle the restoration provision at September 30, 2011 is \$400,000 (December 31, 2010 - \$400,000). Since no abandonment plans are being considered and the property, plant and equipment is at a developmental and feasibility stage, the Company has estimated that the payments will be made in 2021.

	Nine Months Ended September 30, 2011	Year Ended December 31, 2010
Balance, beginning of the period	\$ 355,102	\$ 165,734
Restoration accretion	8,346	5,548
Revisions and new estimated cash flows	30,572	183,820
<b>Balance, end of the period</b>	<b>\$ 394,020</b>	<b>\$ 355,102</b>

### 11 EQUITY

#### a) Share Capital

##### Authorized:

Unlimited number of common voting shares without par value

Unlimited number of preferred shares (none issued)

During the year ended December 31, 2010, the Company consolidated its share capital on a five old shares for one new share basis. All share and per share amounts have been retroactively restated to reflect the share consolidation.

#### b) Private Placements

##### Private Placement – January 2011

On January 18, 2011, the Company completed a private placement of 329,500 non flow-through units at \$1.10 per unit for total gross proceeds of \$362,450. Each unit consists of one common share and one-half of one transferable warrant with each whole warrant entitling the holder to purchase one non flow-through common share for a period of two years, expiring on January 18, 2013 at an exercise price of \$1.50 per share.

In connection with this private placement, the Company paid an agent a cash commission of \$24,816 and issued 22,560 agent warrants (fair value - \$25,421). The assumptions used to fair value the agent's warrants were a risk-free rate of 1.68%, expected volatility of 172%, expected life of two years and a dividend yield of 0%. The agent warrants are exercisable into one common share of the Company for a period of two years, expiring on January 18, 2013 at an exercise price of \$1.10 per share.

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**11 EQUITY – Continued**

**b) Private Placements – Continued**

*Private Placement – January 2011 – Continued*

In addition, the Company also paid cash of \$2,200 to certain finders and issued 2,000 finders' warrants (fair value - \$2,254). The assumptions used to fair value the finders' warrants were a risk-free rate of 1.68%, expected volatility of 172%, expected life of two years and a dividend yield of 0%. The finders' warrants are exercisable into one common share of the Company for a period of two years, expiring on January 18, 2013 at an exercise price of \$1.10 per share.

*Private Placement – March 2011*

On March 15, 2011, the Company completed a private placement of 234,000 units at a price of \$1.10 per unit for total gross proceeds of \$257,400. Each unit consists of one common share and one-half of one transferable warrant with each whole warrant entitling the holder to purchase one non flow-through common share for a period of two years, expiring on March 15, 2013 at an exercise price of \$1.50 per share.

In connection with this private placement, the Company also paid cash of \$14,960 to certain finders and issued 13,600 finders' warrants (fair value - \$10,220). The assumptions used to fair value the finders' warrants were a risk-free rate of 1.69%, expected volatility of 166%, expected life of two years and a dividend yield of 0%. The finders' warrants are exercisable into one common share of the Company for a period of two years, expiring on March 15, 2013 at an exercise price of \$1.10 per share.

**c) Stock Options**

The Company has a stock option plan that provides for the issuance of options to its directors, officers, employees and certain consultants. The maximum number of outstanding options must be no more than 10% of the issued and outstanding shares at any point in time. The term of the options must be no longer than ten years and the directors determine the vesting period.

*For the nine months ended September 30, 2011*

On January 18, 2011, the Company granted 780,000 incentive stock options of which 625,000 vested immediately on the grant date and the balance are subject to vesting restrictions whereby 25% shall vest six months from the date of grant and 12.5% every three months thereafter. The options are exercisable at \$1.40 per share and will expire on January 18, 2021. The weighted average fair value of the stock options granted during the nine months ended September 30, 2011 was \$1.40. The fair value of these options was \$1,065,227 of which \$983,584 was recognized as share-based payments during the nine months ended September 30, 2011. The corresponding share-based payments were estimated using the Black-Scholes option pricing model with the following assumptions:

<b>Assumptions</b>	
Risk-free interest rate	2.90%
Expected stock price volatility	138.62%
Expected dividend yield	0.00%
Expected life of options	10 years

*Fiscal Year Ended December 31, 2010 - Grant*

On March 23, 2010, the Company granted 120,000 incentive stock options. These options are subject to vesting restrictions whereby 25% shall vest three months from the date of grant and 25% every three months thereafter. The options are exercisable at \$0.70 per share and will expire on March 23, 2013. The fair value of these options was \$56,102 of which \$52,849 was recognized as share-based payments during the year ended December 31, 2010 and \$3,253 was recognized during the nine months ended September 30, 2011.

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**11 EQUITY - Continued**

**c) Stock Options – Continued**

*Fiscal Year Ended December 31, 2009 - Grant*

On December 1, 2009, the Company granted 180,000 incentive stock options. These options are subject to vesting restrictions as follows: 130,000 options shall vest 25% three months from the date of grant and 12.5% every three months thereafter and 50,000 options shall vest 25% six months from the date of grant and 12.5% every three months thereafter. The fair value of these options was \$87,697, of which \$77,485 was recognized as share-based payments during prior periods and \$9,964 was recognized during the nine months ended September 30, 2011.

*The following table summarizes historical information about the Company's incentive stock options:*

	Nine Months Ended September 30, 2011		Year Ended December 31, 2010	
	Number of Options	Weighted Avg. Exercise Price	Number of Options	Weighted Avg. Exercise Price
Options outstanding – Beginning of the period	1,395,000	\$ 0.61	1,495,000	\$ 0.72
Granted	780,000	\$ 1.40	120,000	\$ 0.70
Cancelled	-	-	(220,000)	\$ 1.40
<b>Options outstanding – end of the period</b>	<b>2,175,000</b>	<b>\$ 0.89</b>	<b>1,395,000</b>	<b>\$ 0.61</b>

*At September 30, 2011, the following options were outstanding:*

Exercise Price	Expiry Date	Options Outstanding	Weighted Avg. Remaining in Years	Options Exercisable
\$ 0.70	March 23, 2013	120,000	1.48	120,000
\$ 0.60	November 16, 2019	255,000	8.13	255,000
\$ 0.60	December 1, 2019	180,000	8.18	173,750
\$ 0.60	December 11, 2019	840,000	8.20	840,000
\$ 1.40	January 18, 2021	780,000	9.31	663,750
<b>\$ 0.89</b>		<b>2,175,000</b>	<b>8.22</b>	<b>2,052,500</b>

**d) Share Purchase Warrants**

*Details of issued and outstanding warrants are as follows:*

	Number of Warrants	Weighted Average Exercise Price
Balance - December 31, 2009	906,000	\$0.60
Share purchase warrants issued during the year	4,309,650	\$1.15
Agent's warrants issued during the year	251,780	\$1.12
Expired during the year	(680,000)	\$0.60
Balance – December 31, 2010	4,787,430	\$1.13
Share purchase warrants issued during the period	281,750	\$1.50
Agent's and finder's warrants issued during the period	38,160	\$1.10
<b>Balance – September 30, 2011</b>	<b>5,107,340</b>	<b>\$1.04</b>

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**11 EQUITY - Continued**

**d) Share Purchase Warrants - Continued**

At September 30, 2011, the following warrants were outstanding:

Expiry Date	Exercise Price	Number of Warrants	Warrant Valuation
October 13, 2011 *	\$0.75	226,000	\$ Nil
July 29, 2012	\$0.90	2,230,456	\$ 602
October 15, 2012	\$1.25	809,692	\$ Nil
December 22, 2012	\$1.50	1,311,450	\$ Nil
December 22, 2012	\$1.10	209,832	\$ 188,304
January 18, 2013	\$1.50	164,750	\$ Nil
January 18, 2013	\$1.10	24,560	\$ 27,675
March 15, 2013	\$1.50	117,000	\$ Nil
March 15, 2013	\$1.10	13,600	\$ 10,220
<b>Weighted Average</b>	<b>\$1.15</b>	<b>5,107,340</b>	<b>\$ 226,801</b>

\* Subsequent to the period end, 226,000 warrants with an exercise price of \$0.75 expired without exercise.

**e) Flow-Through Shares**

During the year ended December 31, 2010, the Company issued 2,134,000 flow-through common shares for total gross proceeds of \$2,667,500. These funds must be used for qualifying exploration expenditures and have been renounced to the flow-through shareholders effective December 31, 2010. The unspent balance of this flow-through issuance as at September 30, 2011 was \$198,102 which must be spent by December 31, 2011.

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**12 MANAGEMENT OF CAPITAL**

The Company considers its capital to consist of its equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support exploration and development of mineral properties. The Board of Directors has not established quantitative capital structure criteria management, but will review on a regular basis the capital structure of the Company to ensure its appropriateness to the stage of development of the business.

The Company's objectives when managing capital are:

- To maintain and safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds, to support continued evaluation and maintenance at the Company's existing properties, and to acquire, explore, and develop other precious and base metal deposits.
- To invest cash on hand in highly liquid and highly rated financial instruments with high credit quality issuers, thereby minimizing the risk and loss of principal.
- To obtain the necessary financing to complete exploration and development of its properties, if and when it is required.

The properties in which the Company currently holds an interest in are in the exploration stage and the Company is dependent on external financing to fund its activities. In order to carry out planned exploration and development and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

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**12 MANAGEMENT OF CAPITAL - Continued**

In order to facilitate the management of capital and development of its mineral properties, the Company prepares annual expenditure budgets, which are updated as necessary and are reviewed and approved by the Company's Board of Directors. In addition, the Company may issue new equity, incur additional debt, option its mineral properties for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, or dispose of certain assets. When applicable, the Company's investment policy is to hold cash in interest bearing accounts at high credit quality financial institutions to maximize liquidity. In order to maximize ongoing development efforts, the Company does not pay dividends.

There were no changes in the Company's approach to capital management during the nine months ended September 30, 2011 compared to the year ended December 31, 2010. The Company is not subject to externally imposed capital requirements.

**13 COMMITMENTS**

Effective July 1, 2007, the Company entered into an amended lease agreement for office space for a 61 month period expiring August 31, 2012. The Company has also committed to certain operating leases and loan payments for the acquisition of vehicles, machinery and equipment for its camp located on its Elizabeth property. The future minimum lease payments required under these agreements are indicated in the table to the right.

	Office	Vehicles, Equipment & Machinery
2011	\$ 61,974	\$ 170,443
2012	41,316	142,464
2013	-	11,984
	<b>\$ 103,290</b>	<b>\$ 324,891</b>

**14 SEGMENTED FINANCIAL INFORMATION**

The Company primarily operates in one reportable operating segment, being the acquisition and exploration of mineral properties.

*Geographic information is as follows:*

	September 30, 2011	December 31, 2010
Exploration and Evaluation Assets – Canada	\$ 12,040,785	\$ 9,245,340
Property, plant and equipment – Canada	\$ 2,441,056	\$ 2,365,484
Office facilities and equipment – Canada	\$ 25,788	\$ 30,239

**15 FINANCIAL INSTRUMENTS**

**Fair Value**

The Company has classified its cash and cash equivalents as loans and receivables. Accounts payable and accrued liabilities are classified as borrowings and other financial liabilities. As of September 30, 2011, the statement of financial position carrying amounts of these financial instruments closely approximate their fair values.

The Company classifies financial instruments recognized at fair value in accordance with a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

**Level 1** – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

**Level 2** – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

**Level 3** – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

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**15 FINANCIAL INSTRUMENTS - Continued**

The following provides a comparison of carrying values of each classification of financial instruments as at September 30, 2011 and December 31, 2010:

	September 30, 2011		December 31, 2010	
Loans and receivables	\$	243,991	\$	2,924,286
Borrowings and other financial liabilities	\$	895,210	\$	190,728

**Financial Risk Management**

The Company's activities expose it to a variety of financial risks including credit risk, liquidity risk, market price risks and currency risk.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and accounts receivable. The Company deposits its cash and cash equivalents with high credit quality major Canadian financial institutions as determined by ratings agencies, with original maturities of less than 90 days. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the maximum exposure to credit risk.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company attempts to manage liquidity risk by maintaining sufficient cash and cash equivalent balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. As of September 30, 2011, the Company had a cash balance of \$243,991 (December 31, 2010 - \$2,924,286) to settle current liabilities of \$895,210 (December 31, 2010 - \$190,728). Further information relating to liquidity risk is disclosed in Note 1 and Note 17.

Market Price Risks

The only significant market price risk to which the Company is exposed to is interest rate risk. The Company's bank account earns interest at variable rates. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates. The Company's future interest income is exposed to changes in short-term rates.

Currency Risk

The majority of the Company's cash and cash equivalents are held in Canada in Canadian dollars. The Company's significant operations are carried out in Canada. The portion of the Company's cash denominated in United States dollars was insignificant and the sensitivity to gains or losses arising from changes in the Canadian/US dollar exchange rate was minimal.

Sensitivity Analysis

At September 30, 2011 the Company's exposure to foreign currency risk was through the following monetary assets denominated in US dollars:

	USD	
Cash	\$	2,274
Other assets	\$	18,434

Based on the above net exposures at September 30, 2011, and assuming that all other variables remain constant, a 10% change in value of the US dollar against the Canadian dollar would result in an increase/decrease of \$2,071, in the net loss for the period.

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**16 RELATED PARTY TRANSACTIONS**

Details of the transactions between the Company and related parties are disclosed below:

**a) Trading Transactions**

The Company paid consulting fees to a private company controlled by an officer of the Company for consulting services. The total amount paid during the nine months ended September 30, 2011 was \$60,000 (September 30, 2010 - \$45,000) which has been included in professional fees. The Company incurred these fees in the normal course of operations.

**b) Compensation of Key Management Personnel**

Key management personnel includes directors (executive and non-executive) and other key officers of the Company, including the CEO, CFO and Executive Chairman. The compensation paid or payable to key management personnel for employee services during the nine months ended September 30, 2011 and 2010 was as follows:

	Note	September 30, 2011	September 30, 2010
Wages	(i)	\$ 225,000	\$ 255,000
Share-based payments	(ii)	852,633	58,206
<b>Total compensation</b>		<b>\$ 1,077,633</b>	<b>\$ 313,206</b>

- (i) Consists of wages paid to the Executive Chairman and CEO and President of the Company.
- (ii) Share-based payments are the fair value of options granted and vested to key management personnel.
- (iii) Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the nine months ended September 30, 2011 and 2010.

**c) Principal Subsidiaries**

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, the most significant of which is No. 75 Corporate Ventures Inc. as it holds title to all three of the Company's active exploration projects.

**17 SUBSEQUENT EVENTS**

On November 9, 2011, the Company completed a non-brokered private placement of 857,142 flow-through units at \$0.70 per unit for total gross proceeds of \$600,000. Each unit consists of one flow-through common share and one-half of one transferable warrant with each whole warrant entitling the holder to purchase one non flow-through common share for a period of two years, expiring on November 9, 2013 at an exercise price of \$0.85 per share in the first twelve months and \$1.00 per share thereafter.

In connection with this private placement, the Company issued 34,285 common shares as a finder's fee which was equal to 4% of the aggregate units purchased by subscribers introduced by the finder to the Company at a deemed price of \$0.70 per finder's share. The Company also issued 68,571 non-transferable finder's warrants which was equal to 8% of the number of units purchased by subscribers introduced by the finder to the Company, with each finder's warrant being exercisable into one non flow-through common share of the Company for a period of two years, expiring on November 9, 2013 at an exercise price of \$0.85 per share in the first twelve months and \$1.00 per share thereafter.